

Lessee fails to do so, this shall be an abandonment of the property, and the Port may retain the property and all rights of the Lessee with respect to it shall cease or, by notice in writing given to lessee within twenty (20) days after removal was required, the Port may elect to hold the Lessee to his obligation of removal. If the Port elects to require the Lessee to remove, the Port may effect a removal and place the property in public storage for the Lessee's account. The Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at ten percent (10%) per annum on all such expenses from the date of expenditure by the Port.


C. The time for removal of any property or fixtures which the Lessee is required to remove from the leased Premises upon termination shall be as follows:

1. On or before the date the Lease terminates because of expiration of the original or a renewal term or because of default.
2. Within thirty (30) days after Lease expiration.

Section 8.12 - Pledge of Leasehold Interest: Lessee may from time to time pledge its leasehold interest subject to approval of Port, and the Lessee shall provide notice forthwith of such intended pledging. The term of any such pledge and loan shall not run beyond the current lease term.

THE PORT OF PORTLAND

BY Robert Enright

By  _____
PRESIDENT

By Nautil Eright

By C. Jeannie Norris
ASST. SECRETARY

APPROVED AS TO FORM

APPROVED AS TO FORM

Counsel for Lessee

MB Playfair
Counsel for The Port of Portland

APPROVED BY COMMISSION ON

11-12-86; 4-9-87

ATTACHMENT 'A'

This disclosure statement refers to the lease dated November 1, 1986, between the PORT OF PORTLAND and CONTROLLED HEAT, INCORPORATED, for the long-term lease of the improved space commonly known as Yard Space near Berth 312.

For the authorized purposes of the above lease, the following utilities will be provided at the stated rates:

| <u>Y/N</u> | <u>UTILITY</u> | <u>NOTE</u> |
|------------|--------------------|--|
| Y | Electricity | Metered (\$0.08/kwh) |
| N | Natural Gas | (\$0.46/ccf) |
| N | Steam | (\$265.00/service day) |
| N | Compressed Air | (\$17.50/workday-Light Service) (\$70.00/workday-Heavy Service) |
| N | Oxygen-with Gas | (\$5.00/100 cf of Gas consumed) |
| N | Area Heat (Office) | |
| N | Area A/C (Office) | |
| N | Water | |
| N | Sewer | |
| N | Flat rate of: | |
| | Shop: | \$0.05/sf/month |
| | Office: | \$0.10/sf/month |

TELEPHONE SERVICE AND REFUSE COLLECTION ARE THE RESPONSIBILITIES OF THE LESSEE.

PARKING AND OPEN SPACE CAN BE ARRANGED BY SEPARATE AGREEMENT.

The rates are subject to change upon thirty days notice.

ACKNOWLEDGED:

Signature

Robert Enright

6/29/87

Date

BLDG. 54

BLDG. 43

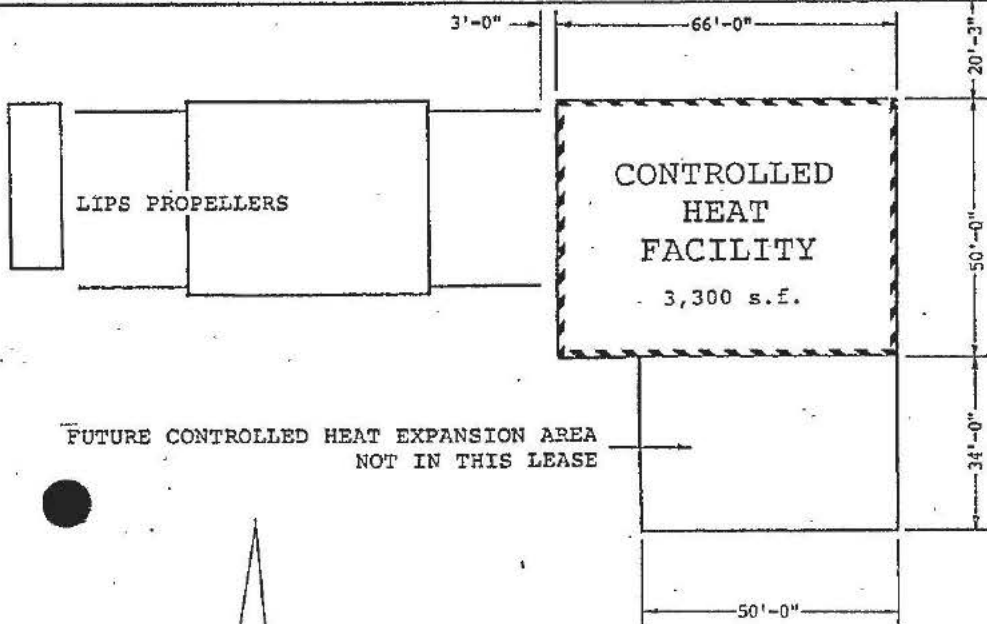
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S-4

BLDG. 50

TO PIER C

CRANE RAILS



FUTURE CONTROLLED HEAT EXPANSION AREA
NOT IN THIS LEASE



EXHIBIT B
CONTROLLED HEAT LEASE PLAT
PORTLAND SHIP REPAIR YARD
DRAWN BY: P. ARNOLD
12/18/87

NO SCALE

PSY100001784

Attachment 'C'

Electrical Improvements as follows:

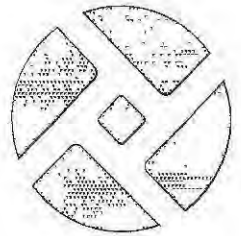
Item

1. 1000 KVA transformer - 12470/480 volts, capable of 1200 amps at 480 volts - 3 phase.
2. 12470 volt fused switch - transformer protection.
3. 600 amp fused safety switch - used as service protection.
4. (3) 200 amp fused safety switches - used for supplying of individual furnaces.
5. Watt hour meter installed on each 200 amp safety switch for individual monitoring of electricity used.
6. 100 amp lighting panel with single pole 20 amp breakers. 120/240 volt - single phase.
7. Installation of two extra 3" conduits, for an additional 600 amps at a later time. Safety switches, wire, meters, and labor will have to be purchased at that time.

Total \$ 30,000

The actual amount billed will be based on regular Port charges for time and materials but in no case shall exceed \$30,000.

March 28, 1975



Port of Portland

Box 3529 Portland, Oregon 97202

503/233-8331

TWX: 910-464-6151

Mr. Leroy Winsor
General Manager
Crosby & Overton, Inc.
Swan Island Ship Repair Yard
Portland, Oregon

TEMPORARY LAND USE LICENSE

Crosby & Overton is hereby granted use of Port land within the Swan Island Ship Repair Yard for the purpose of erecting and operating a temporary sandblasting shed 50' x 100' in size to be located between Building 4 and Building 63 at a specific site to be approved by the SISRY Manager, under the following terms and conditions:

1. All costs associated with this license, the shed, its operation or removal shall be borne by Crosby & Overton, including utility hook-ups and restorations.
2. All permits, approvals, variances, clearances, etc., from any and all governmental agencies shall be the responsibility of Crosby & Overton.
3. This license shall run concurrently with the term of the Port/ Northwest Marine Iron Works agreement dated October 10, 1974, and shall end when said agreement ends. Crosby & Overton shall have 60 days after expiration of this license to remove the shed and restore the site and utilities to their original condition.
4. At the end of the term hereof, the Port, at its sole option, subject only to the approval of Crosby & Overton, may relocate the building within the SISRY boundaries at the Port's expense; in which case, title to the building shall pass to the Port upon payment to Crosby & Overton of the unamortized value of the building, which is expected by the parties hereto to be nominal.
5. It is a specific condition of the issuance and continuation of this license that the sandblasting shed will be operated so as to not interfere

offices also in Tokyo

Chicago, Washington D C

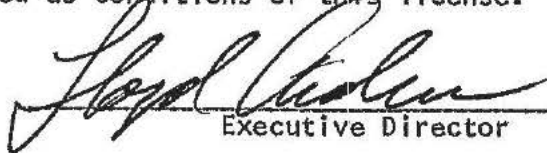
PSY100001786

Mr. Leroy Winsor
Temporary Land Use License
Page 2
March 28, 1975

with the operations of other SISRY tenants through the production of dust beyond that normally present in the SISRY area. Violation of this condition shall require immediate cessation of operations on the part of Crosby & Overton until the defect is corrected and compliance with this condition is assured.

6. All conditions of the Port's SISRY Tariff and Customer Order Form, by this reference, are included as conditions of this license.

For the Port of Portland:


Executive Director

Accepted:


Crosby & Overton


Northwest Marine Iron Works

AM104C

APPROVED AS TO FORM

of Counsel for the Port of Portland

PSY100001787

LEASE AMENDMENT

The Lease, made on the 5th day of April, 1966, by and between the Port of Portland, a municipal corporation of the State of Oregon and Pacific Marine Services, Inc., and assigned to Crosby & Overton, Inc., a California corporation, which assignment was consented to by the Port of Portland on June 19, 1974, is hereby amended by mutual consent, as follows:

1. The monthly rental for the period June 23, 1976, through June 22, 1981, shall be One Thousand Sixty Dollars and No/Cents (\$1,060.00).
2. The provision of Article V.2. relating to rent escalation is null and void.
3. The monthly rental for the period June 23, 1981, through June 22, 1986, shall be determined by market value appraisal as set forth in Article V.3. or such other methods of appraiser selection which shall be mutually acceptable to the parties.

IN WITNESS WHEREOF, the parties hereto have signed their names this 3rd day of June, 1977.

THE PORT OF PORTLAND

CROSBY & OVERTON, INC.

By

Joseph M. Edgar
President

By

LeRoy Wilson
Vice President

By

Hee A. Underwood
Assistant Secretary

By

APPROVED AS TO FORM

APPROVED BY PORT COMMISSION

Betty C. Gault
Counsel for
The Port of Portland

On April 13, 1977

MD69E

DN:68/fh

PACIFIC MARINE SERVICE INC.
LEASE

This lease made this 5th day of April, 1966 by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as the Lessor, and PACIFIC MARINE SERVICE, INC., a corporation of the State of Oregon, hereinafter referred to as the Lessee.

W I T N E S S E T H :

WHEREAS, the Lessor is the owner of certain property as indicated on attached Exhibit "A" which lands are hereinafter referred to as the Swan Island Site, and structure thereon to be tentatively known as Building 9 and,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable considerations, the Lessee and Lessor mutually agree as follows:

I. PREMISES:

Lessor, in consideration of rents hereinafter reserved and of the agreements of Lessee herein to be kept, performed and fulfilled, leases to Lessee the following premises on Swan Island, City of Portland, Oregon in the Ship Repair Yard as shown on the Plat No. YA 65-10 dated December 22, 1965, hereto attached and marked Exhibit "A" and by this reference made a part hereof.

(a) Area 1 called building area, consisting of 11,539 square feet of land more or less, and

(b) Area 2 called adjacent area consisting of 2,710 square feet of land more or less.

Lessee is not granted by this document the right to the use of any land adjacent to or around the subject building of lease other than that as specified by Exhibit "A" as attached hereto.

II. IMPROVEMENTS TO BE MADE BY LESSOR:

Lessor agrees to make improvements to the leased premises as hereinafter specified.

A. Area 1

(1) Construction of shop building with offices.

Lessor agrees to erect and complete as specified herein, in Area 1 on the leased premises, a structural steel frame shop with a 15-ton crane and an office area of wood framing. The exterior walls of the shop and office to be pre-painted steel paneled, and the roof to be 24 gauge pre-painted galvanized steel over the shop and a built up roof over insulating plank over the office area. The building will be constructed as shown on the Port Plan YA65-7. The erection of such building shall be completed within six (6) months from the date of execution of this lease, excepting the delays as may be caused by strikes, lockouts, acts of God, or insured risk.

B. Area 2

Lessor agrees to grade to level a five (5) foot strip of land around the building, in area 1 when completed. Title to all improvements made by the Port on the leased premises shall at all times remain in and with the Port.

III. PERFORMANCE BOND:

At the time of the execution of this lease, the Lessee shall execute and deliver to the Port a satisfactory performance bond with an approved corporate surety in the sum of ten thousand (\$10,000) dollars which bond shall guarantee faithful performance by Lessee of all the provisions and covenants of this agreement for the term thereof or any extension thereon.

IV. TERM:

The term of this lease shall be for a period of ten (10) years, commencing on the date the Port notifies Lessee in writing, the building is ready for occupancy.

V. OPTION TO RENEW:

1. Lessee shall have and Lessor hereby grants the option to renew this lease for two (2) successive five-year periods following the initial ten-year term of this lease. If Lessee shall elect to renew this lease at the expiration of its term, it shall give written notice to the Lessor of such intention not less than eight (8) months prior to such expiration date.

2. For the first five-year period of option to renew this lease, to-wit; and for the succeeding five-year period thereafter, the period commencing on _____, Lessee shall pay a rental computed by first ascertaining the fair market value of the premises hereby leased, and then applying to the said fair market value a rental rate of six (6%) per cent per annum of the value so determined. In determining the rental for each of said five-year periods, the fair market value of the land shall be no less than ninety (90%) per cent, nor more than one hundred ten (110%) per cent of the value in effect for the immediately preceding five-year period and the date for determining such fair market value shall be the date that each such five-year period commences. For the purposes of determining future ground rental, the word "premises" shall mean land only. Said annual rental rate, when so determined, shall be payable in equal monthly installments in advance. It is expressly understood that said rental rate shall be the net amount payable to Lessor and that Lessee shall pay all taxes, assessments, etc., in accordance with the provisions of Article VIII of this lease. The determination of the annual rental rate for each of said five-year periods shall be made not less than six (6) months before the expiration of each five-year period of this lease.

3. In the event the parties hereto are unable to agree upon said fair market value in accordance with Paragraph (2) hereinabove, Lessor and Lessee shall give each in writing to the other, the names of a disinterested person familiar with real estate values in the City of Portland, to act as arbitrators. The two

men so chosen shall select a third and these three arbitrators shall then immediately proceed to determine the fair market value of said premises and report said fair market value in writing to the parties hereto not later than four (4) months before the expiration of the first five-year period. Such report and determination, whether unanimous or by majority, shall be final and binding upon the parties hereto as to the market value of said premises.

4. In the event that for any reason, whether through failure to appoint arbitrators or failure of the arbitrators to act, no report of such fair market value is made within the time or times respectively as provided herein, either party may apply for judicial relief under the applicable arbitration statutes of the State of Oregon, to the end that the fair market value as contemplated herein shall be determined. No determination of fair market value shall be invalid by reason of having been delayed or not having been made within the time or times respectively as herein provided. If any such determination of fair market value is delayed, the same when made shall be effective and binding upon the parties as to the rentals to be paid by the Lessee to the Lessor as of the beginning of the period to which such new rental base applies. The cost including attorney's fees of any such legal proceeding, shall be borne and paid by the party hereto whose neglect or default has made such proceeding necessary.

5. All other terms and conditions of this lease shall apply to the extended term of this lease.

VI. RENT:

1. Lessee shall pay Lessor rent of seven hundred forty-seven (\$747.00) dollars per month in advance. Payments shall be made to the Lessor at its offices on Swan Island, Portland, Oregon, or at such other place in the State of Oregon as it may in writing designate.

2. Should Lessee exercise its right to extend this lease, the rental for such extended terms shall be determined in the manner provided in Article V.

VII. TAXES:

Lessee shall pay all lawful taxes and assessments, which during the term hereto or any extension, may become a lien upon or which may be levied by the state, county, city, or any other tax-levying body upon the premises hereby leased, or upon Lessee's leasehold thereof, or any other taxable interest or possessory right which Lessee may have in or to the premises or facilities hereby leased, or the improvements thereon by reason of Lessee's use or occupancy thereof, as well as all taxes on taxable property, real or personal, owned by Lessee in and about said premises. Upon any termination of tenancy, all taxes then levied or a lien on any of said property or taxable interest therein shall be paid in full and without pro-rata by Lessee, forthwith or as soon as a statement thereof has been issued by the tax collector, if termination occurs during the interval between attachment of the lien and issuance of statement.

VIII. USE OF LEASED PREMISES:

Lessee agrees that it will use and occupy the premises for the purpose of warehouse and work area for handling, storing, repairing of products pertinent to marine repair, construction and/or industrial application. Designated office space will be used as such, and neither of the two areas will be used for any other purposes.

IX. UTILITY SERVICE:

The Lessee shall procure at Lessee's own expense and risk electric utility service as may be required or available to Lessee upon premises, and the Lessor makes no representations or guarantees to the Lessee respecting the availability of such service.

The Lessor will maintain the existing air and water distribution system and distribute city water, and will bill the Lessee therefor upon a fixed monthly rate and/or charge; the Lessor may at its discretion, install meters to determine actual consumption of the aforementioned. But in either event, the Lessee shall

pay to the Lessor the full and proper charges for the use of air and water or the availability of air and water from the distribution system now in use. Provided, however, that it is the option of the Lessor to bring about the installation of city water mains and refer the Lessee directly to the City of Portland for procurement of water at any time such city services become available and to then, discontinue the present method of distribution. The aforementioned air and water service shall enter the subject building 9 shop and storage area as a valved stub only. The responsibility for continuation of such service shall be that of the Lessee. Such continuation of contemplated services will be submitted by the Lessee to the Lessor in the form of drawing layouts accompanied by specifications of materials and installation. Upon receipt of approval from the Lessor, the Lessee may then proceed with the installation as specified therein.

Service of water and sanitary system will be completed in the office area only. Such completion of system shall include all fixtures and plumbing as specified on page 1 of 10 of drawing YA 65-7.

X. RAILROAD SERVICE AND TRACKAGE:

It is recognized by the parties hereto that, at the inception of this agreement, the Swan Island track is being served by a common carrier railroad using existing trackage to the extent the said carrier deems the same to be usable.

The Lessee is hereby granted the use of existing spur track No. 19, including that portion of the track connecting to the existing lead track or service track on Swan Island.

XI. LAWS, CODES, AND UNTENANTABILITY:

It is agreed that the Lessee, by entering into this agreement accepts the premises as specified in the Lessor's drawing YA65-7 consisting of ten (10) sheets thereof. The Lessor makes no warranties in the respect to the construction of building conforming with the requirements applicable by laws and/or codes other than

that as specified and stipulated on the Lessor's drawing No. YA65-7 consisting of ten (10) sheets.

In the event the Lessee's use and occupancy of the premises shall be legally prevented after initial acceptance by action of a public authority, or it shall be required by such authority that further alterations be made to the premises to conform with laws and codes, the Lessee shall forthwith, at Lessee's own cost and expenses, and upon receiving written consent from the Lessor therefor, make such changes as shall be necessary to fulfill the requirements, except that it shall be optional with the Lessee to elect to not make such required changes and to give written notice to the Lessor to that effect, and, upon receipt of such notice, the Lessor may elect to itself make such required changes. If the Lessor does not agree within fifteen (15) days to effect such changes to conform with said requirements, the Lessee may forthwith terminate this lease upon payment of rental to the date of such termination and fulfillment of all other obligations of Lessee provided herein.

XII. MAINTENANCE OF BUILDING AND EQUIPMENT:

Lessee covenants and agrees to maintain at Lessee's own cost and expense the interior of the shop and office building and all improvements including but not limited to, bridge crane, plumbing fixtures, water lines, electric lines and fixtures, flooring, partitions, walls and ceilings, etc., in constant good presentable and substantial condition and repair.

Lessor covenants and agrees to maintain, at Lessor's own cost and expense the exterior walls and roof areas of the shop and office building and improvements including but not limited to roof drains and downspouts, window sashes and areas of entry and exit from street(s).

Upon written notification (reference Article IV) of completion on the aforementioned building and the associated equipment therein, the Lessee shall become responsible to the Lessor for said maintenance.

XIII. PERSONAL PROPERTY:

All personal property of any kind or description whatsoever in the premises shall be at the Lessee's sole risk, and the Lessor shall not be liable for any damage done to or loss of such personal property or damage or loss suffered by the business or occupation of the Lessee arising from any acts or neglect, of the premises, or of other persons, or from bursting, overflowing, or leaking of water, sewer, or from heating or plumbing fixtures, or from electric wires, or from gas, or odors caused in any manner whatsoever, other than by neglect of Lessor, its agents or employees.

XIV. INDEMNITY:

Lessee agrees fully to indemnify and save harmless the said Lessor from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damage or injuries to third persons or their property, caused by the fault or negligence of Lessee, its agents, or employees, in the use or occupancy of the said premises by Lessee; provided, however, that Lessee shall not be liable for any injury or damage or loss occasioned by the negligence of the Lessor, its agents or employees; and provided further that the Lessor shall give to Lessee prompt and reasonable notice of any such claims or actions and Lessee shall have the right to investigate, compromise, and defend the same. Lessee agrees to carry and keep in force, public liability insurance covering personal injury and property damage, to protect the Lessor herein from such claims and actions aforesaid. Without limiting its liability as aforesaid, Lessee agrees to maintain with insurance underwriters satisfactory to the Lessor, a standard form of policy or policies of liability insurance in a sum of not less than \$200,000 for any one person, and \$500,000 for any one accident, and for property damage in a sum not less than \$250,000. Said policy or policies shall expressly acknowledge and affirm Lessee's obligation to hold the Lessor harmless as hereinabove stated. A certificate of such insurance covering all said policy or

policies, shall be issued currently to the Lessor. The Lessor shall not be shown, listed, or named as co-assured or any additional assured by such policy or policies hereinabove required.

XV. DESTRUCTION OR DAMAGE OF PREMISES:

If the said premises be destroyed by fire or other casualty, this lease shall immediately terminate. In case of partial destruction or damage, so as to render the premises untenable, either party may terminate the lease by giving written notice to the other within fifteen (15) days thereafter, and if so terminated, no rent shall accrue to the Lessor after such partial destruction or damage. In the event of partial damage which does not render the premises untenable, it shall be optional with the Lessor whether to repair same. If the Lessor elects not to repair such damage within thirty (30) days after the occurrence, the Lessee shall have the right to terminate this lease at the end of the 60th day, or to make repairs, at Lessee's own cost and expense, in a manner approved by Lessor and continue its tenancy in accordance with the terms and conditions of the lease.

XVI. PAYMENTS BY THE LESSOR RECOVERABLE FROM LESSEE:

The Lessor shall, at its option, have the right at all times during the term herein, to pay any taxes, assessments, water rates, or other charges on the premises and reversionary interest therein remaining unpaid after the same have become due and payable, and to pay, cancel, and clear off all tax sales, liens, charges, and claims on or against the premises or reversionary interest therein, and to redeem the premises from the same, or any of them, from time to time, and the amount paid, including reasonable expenses, shall be so much additional rent due from Lessee at next rent day after such payment with interest thereon at the rate of six (6%) per cent per annum from the date of payment thereof by the Lessor, until the repayment thereof to the Lessor by Lessee.

If the Lessor, at its options, shall advance or pay any such taxes, assessments, water rates, or other charges, or pay, cancel, and clear off any tax sales, liens, or charges and claims on and against premises or the reversionary interest therein, it shall not be obligatory on the Lessor to inquire into the validity of any such taxes, assessments, water rates, or other charges, or any such tax sale, provided that Lessor shall give Lessee ten (10) days prior notice of Lessor's intent to pay said taxes, assessments, water rates, or other charges, or any such tax sale. It is further provided that if Lessee shall be actively prosecuting its administrative or legal remedies in protest of any tax, assessment, water rates or other charges, the Lessor shall not have the right to pay or advance sums referable thereto until such remedies shall have been exhausted.

XVII. REPAIRS AND IMPROVEMENTS:

It is agreed that Lessor shall not be required to make any repairs, alterations, additions, or improvements to or upon said premises except when it shall have agreed in writing to perform specific work. Lessee has examined the Lessor's drawing YA65-7 and specifications thereof, and accepts them as specified, and without any representations on the part of the Lessor or its agents as to the present or future condition of said premises. Lessee agrees that there will be no alterations, additions, or improvements to or upon said premises without the written approval of the Lessor first being obtained and all additions and improvements made by the Lessee (except only movable office furniture and trade fixtures) shall become the property of the Lessor upon the termination of the lease.

XVIII. DAMAGE TO PREMISES:

Lessee is and shall be responsible and liable for any injury or damage

done to the premises by Lessee, its employees, or any occupant of or other persons whom Lessee permits to be in or about the premises, ordinary wear and tear alone excepted.

XIX. LESSOR'S RIGHT OF ENTRY:

It shall be lawful for the Lessor, its agents and representatives, at any reasonable time, to enter into or upon said premises for the purpose of examining into the condition thereof of the premises, or the equipment therein, or for any other lawful purposes.

XX. LIENS:

Lessee will not permit any lien of any kind, type, or description to be placed or imposed upon the building, or any part thereof, or the real estate on which it stands, provided that this clause shall not be deemed to be breached if Lessee actively disputes the validity of any asserted lien, and proceeds with its administrative or legal remedies with respect thereto, and, if the same be finally held valid, promptly effects the removal thereof.

XXI. ADVERTISING SIGNS:

Lessee shall have the right to install or cause to be installed appropriate signs on the premises to advertise the nature of its business. The cost of such installations and operations shall be borne by the Lessee. Lessee shall not erect, install, operate, or cause, nor permit to be erected, installed, or operated upon the premises herein, any sign or other advertising device without first having obtained the Lessor's written consent thereto as to size, construction, locations and general appearance.

XXII. WAIVER:

Any waiver by the Lessor of any breach of any covenant herein contained to be kept and performed by the Lessee shall not be deemed or considered as a

continuing waiver, and shall not operate to bar or prevent the Lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

XXIII. NOTICES:

All notices required under this lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Lessor at The Port of Portland, P. O. Box 3529, Portland, Oregon, 97208, and to the Lessee at Pacific Marine Service, Inc., Building 9, Swan Island, Portland, Oregon, 97217. Date of service of such notices shall be the date such notice is deposited in a post office of the United States Post Office Department at Portland, Oregon, postage prepaid.

XXIV. HOLDING OVER:

In the event that the Lessee shall remain on the premises after the expiration or sooner termination of the term of this lease, such holding over shall not constitute a renewal or extension of this lease. The Lessor may, at its option, elect to treat the Lessee as one who has not removed at the end of his term, and thereupon be entitled to all the remedies against the Lessee provided by law in that situation, or the Lessor may elect, at its option, to construe such holding over as a tenancy from month to month, subject to the payment of all rent in advance, the monthly rate being proportional to the previous annual rent paid by Lessee, and subject to the payment of taxes, assessments and charges as specified in Articles V and VII hereof, it being particularly noted, that under present tax laws, holding over for even one day will require payment of a full year's property taxes.

XXV. ATTORNEY'S FEES:

In the event any action or suit or proceeding is brought to collect the

rent due or to become due hereunder or any portion thereof, or to take possession of said premises or to enforce compliance with this agreement, or caused by failure of Lessee to observe any of the covenants of this agreement, Lessee agrees to pay Lessor such sum as the court may adjudge reasonable as attorney's fees to be allowed in said suit, action or proceeding, providing that Lessor prevails therein.

XXVI. ASSIGNMENT:

Lessee agrees it will not assign or sublease this lease without prior written approval of the Lessor, except that Lessee may assign this lease to a partnership or a corporation wherein John L. Kennedy has the controlling interest.

XXVII. STATUTORY PROVISIONS:

This lease is subject to the provisions of O.R.S. 279.312 through 279.320, inclusive, which by this reference are incorporated herein as fully as though set forth verbatim.

XXVIII. CONDEMNATION:

If the whole or any part of the premises hereby leased shall be condemned or taken by any county, federal, state or other authority for any purpose, then the term of this lease shall cease on the part so taken from the day the possession of that part shall be required for any purposes by the condemning agency and the rent therefor shall be paid up to that day, and within ninety (90) days thereafter Lessee shall have the right either to terminate this lease as to the remainder of the premises, subject to payment of rent to date of such termination and fulfillment of its other obligations, provided herein. In the absence of notice to so terminate, Lessee shall continue in the possession of the remainder of the same under the terms herein provided, except that the rent shall be reduced in proportion to the amount of the premises taken for such public purpose.

XXIX. SURRENDER OF PREMISES ON TERMINATION OF LEASE:

On the last day of the term hereof, or upon any sooner termination hereof, or upon the termination of any holding over, Lessee will quit and deliver up said premises and all equipment, fixture erections or additions to or upon the same, broom-clean, to the Lessor, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof, damage by fire and the elements alone excepted, as the same are now in or hereafter may be put in by the Lessor or the Lessee.

XXX. SUCCESSORS AND ASSIGNS BOUND BY COVENANTS:

All of the covenants, stipulations and agreements in this lease shall extend to and bind the legal representatives, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have subscribed their names the day and year first above written.

PACIFIC MARINE SERVICE, INC.

By

J. T. Kennedy Pres.

By

THE PORT OF PORTLAND

By

A. B. Downer
President

ATTEST:

| DOCUMENT APPROVAL | | |
|-------------------|------------|----------------|
| ROUTING | APPROVED | DATE |
| PROP. | <i>CAC</i> | <i>3/3/66</i> |
| AVIATION | | |
| MARINE | <i>DM</i> | <i>3/30/66</i> |
| ENGR. | | |
| ACCT. | | |
| IND. DEV. | | |
| R. P. & I. | | |
| AST. GEN. MGR. | | |
| GEN. MGR. | | |

3/8/66

APPROVED BY COMMISSION

ON *Sept. 13* 19 *65*

George M. Baldwin
Assistant Secretary

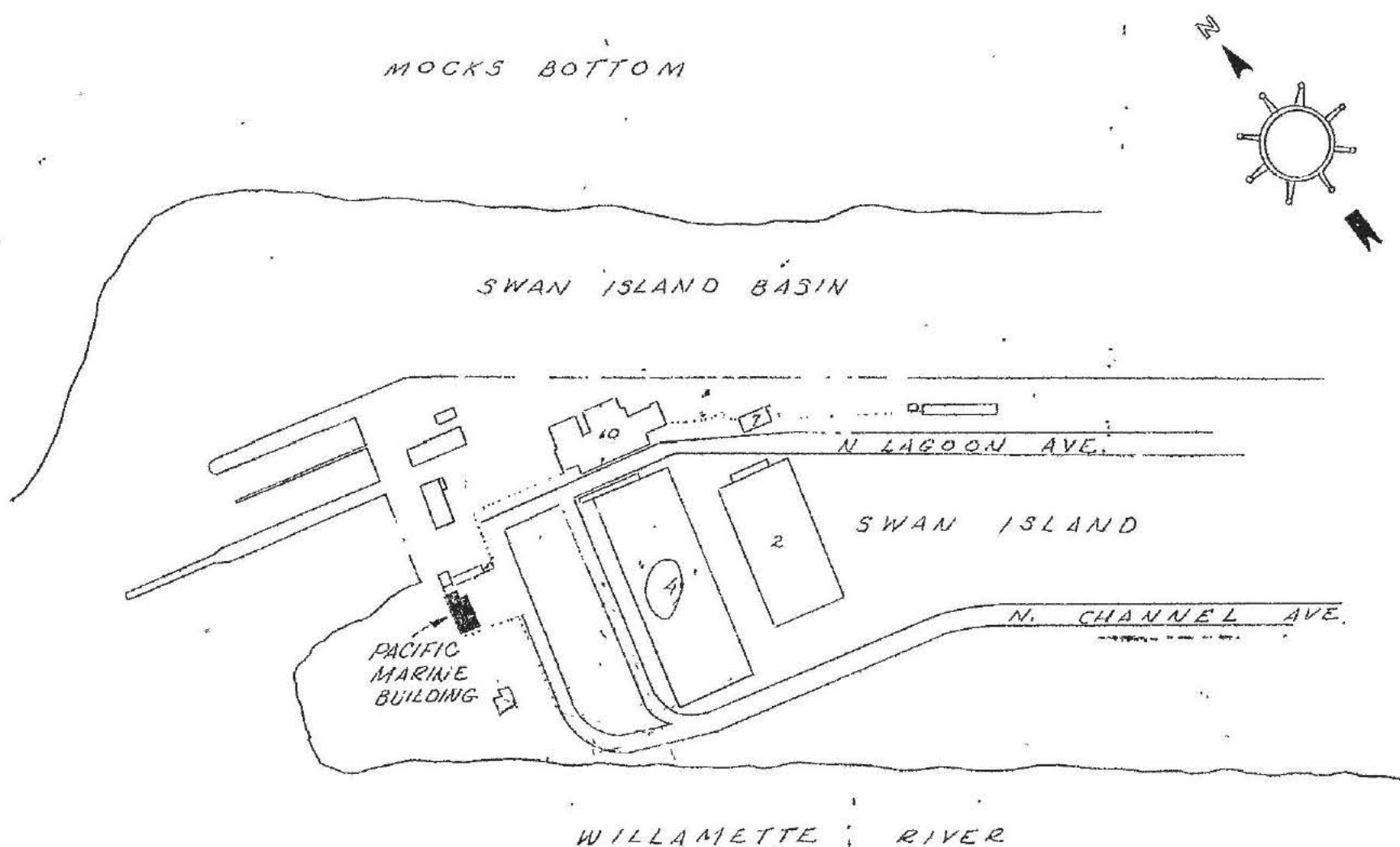
APPROVED

GMB
General Manager

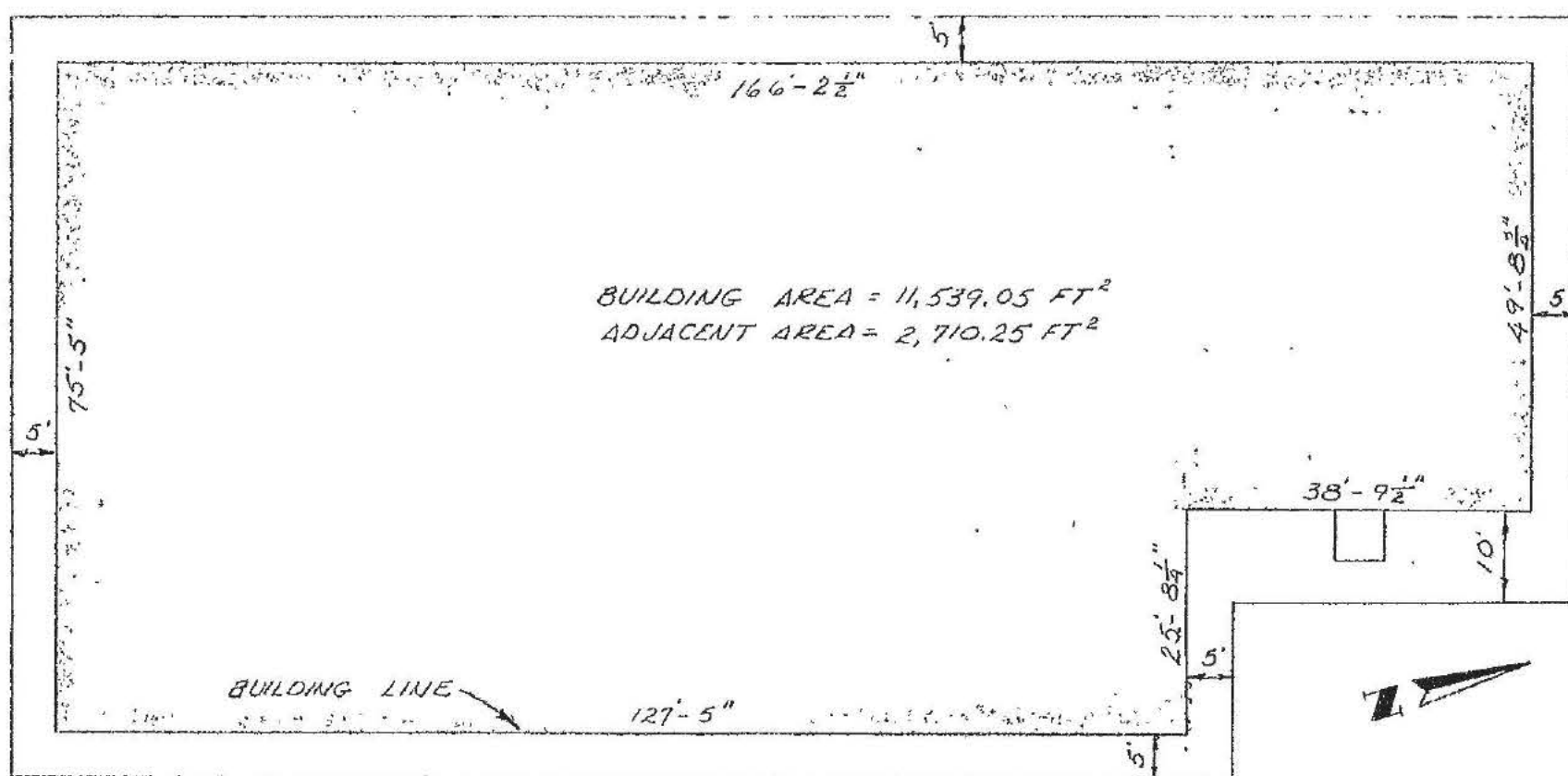
APPROVED AS TO FORM

Robert L. Titum
Asst. Comm. for the Port of Portland

R. W. Finley
ACCOUNTING DEPT.



VICINITY MAP
SCALE: 1"=600'



SCALE=1"=20'

SWAN ISLAND MARINE AREA
EXHIBIT PLAT
PACIFIC MARINE BUILDING
12-22-65 JHR

YA 65-10

CONSENT TO LEASE ASSIGNMENT

This agreement made and entered into this June 19, 1974, by and between the Port of Portland, a municipal corporation organized and existing under the laws of the State of Oregon, and PacMar Services, Inc., an Oregon Corporation, and Crosby and Overton, Inc., a California Corporation.

W I T N E S S E T H

WHEREAS, by lease dated April 5, 1966, and November 10, 1969, as amended June 19, 1974, said Port of Portland, as lessor, leased to PacMar Services, Inc., as lessee, the right and privileges of occupying certain property of the Port located at Swan Island, Portland, Oregon; and

WHEREAS, one of the covenants of the lease of April 5, 1966; in Section XXVI and in the lease of November 10, 1969; in Section 22, specifies that lessee shall not assign said lease or suffer or permit any other person or corporation to use or lease said premises except with the written consent of lessor and;

WHEREAS, lessor by Commission action of June 19, 1974 has consented to said assignment,

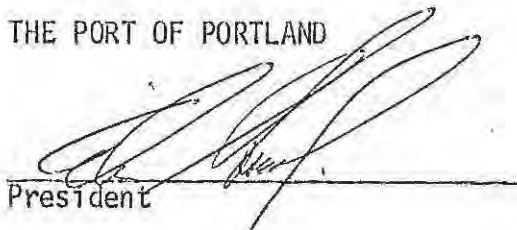
NOW THEREFORE, the Port of Portland in consideration of the premises and other good and valuable consideration to it in hand paid by lessee, PacMar Services, Inc., receipt of which is hereby acknowledged, does hereby give

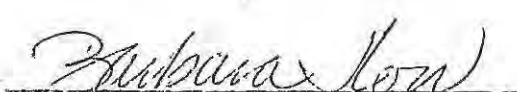
and consent in writing to the assignment of the lease dated April 5, 1966, and the lease dated November 10, 1969, as amended June 19, 1974, to Crosby and Overton, Inc., of California; and Crosby and Overton, Inc. of California, as the new tenant and lessee, agrees to and assumes all rights and obligations of PacMar Services, Inc., under the terms of the two leases and amendments thereto.

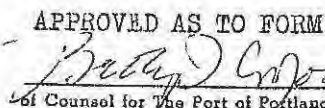
IN WITNESS WHEREOF, the Port of Portland has executed this consent to assignment the day and year above written.

LESSOR

THE PORT OF PORTLAND


President


Assistant Secretary

APPROVED AS TO FORM

of Counsel for The Port of Portland

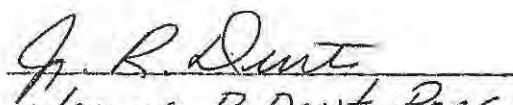
LESSEE

PACMAR SERVICES, INC.



LESSEE

CROSBY AND OVERTON


James R. Dent, Pres

LEASE AMENDMENT #1

The lease made on the 10th day of November, 1969 by and between the Port of Portland, a municipal corporation of the State of Oregon and Pacific Marine Services, Inc. is hereby amended by mutual consent, as follows:

1. Premises: is modified to read:

- A. Lessor, in consideration of the rents hereinafter reserved and of the agreements of Lessee herein to be kept, performed and fulfilled, leases to Lessee the premises on Swan Island, City of Portland, Oregon, in the Ship Repair Yard as shown on the attached drawing marked Exhibit "A" and by this reference made a part hereof.
- B. Said premises are composed of approximately 15,000.0 square feet of land on which is situated a sand blast building of approximately 3,600.0 square feet.
- C. Lessee is not granted the use of any other land other than for ordinary ingress and egress to and from the herein leased premises.
- D. The Lessor may relocate the premises within the boundaries of the Ship Repair Yard if Lessor deems such relocation to be in its best interest. All relocation costs shall be for the Port's account and Lessee shall be relocated to equal or better facilities without undue business interruption.

(Back
file)

3. Rent: is modified to read:

Lessee shall pay Lessor rent of \$313.50 per month payable in advance on the first day of each and every month for the premises above described. Payments shall be made to the Lessor at its offices in Portland, Oregon, or at such other place in the State of Oregon as it may designate in writing.

6. Utility Service: the first sentence is modified to read:

The Lessor will provide the Lessee with air service for which the Lessee will pay a charge of \$55.00 per month subject to re-evaluation and change each month based on hours of usage and tariff rates.

In all other respects the lease of November 10, 1969, is re-affirmed and republished as the agreement between the parties.

IN WITNESS WHEREOF, the parties hereto have signed their names this 19th day of June, 1974.

Pacific Marine Services, Inc.

By JP Kennedy Vice President

By _____

APPROVED AS TO FORM
Betty D. Cozart
of Counsel for The Port of Portland

The Port of Portland

By [Signature]
President

By [Signature]
Assistant Secretary

LEASE AGREEMENT

This lease made this 10th day of November, 1969, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as the Lessor, and PACIFIC MARINE SERVICES, INC., a corporation of the State of Oregon, hereinafter referred to as the Lessee.

WITNESSETH:

WHEREAS, the object, purpose and occupation of Lessor is to promote the maritime, shipping and commercial interests of The Port of Portland, and

WHEREAS, Lessee desires to lease the hereinafter described premises in order to enable Lessee to maintain and operate a facility for sandblasting and related repair pertinent to the best interests of the maritime, shipping and commercial interests of the Lessor,

NOW, THEREFORE, it is mutually agreed as follows:

1. PREMISES:

Lessor, in consideration of the rents hereinafter reserved and of the agreements of Lessee herein to be kept, performed and fulfilled, leases to Lessee the following premises on Swan Island, City of Portland, Oregon, in the Ship Repair Yard as shown on Drawing No. YA 69-5, dated June 17, 1969, attached hereto, marked Exhibit "A" and by this reference made a part hereof.

A. A parcel of real property situated in Section 17, Township 1 North, Range 1 East, of the Willamette Meridian, City of Portland, County of Multnomah, State of Oregon bounded and described as follows:

Beginning at the point of intersection of the centerline of North Channel Avenue and centerline of North Dolphin Street; thence following the centerline of North Channel Avenue North 52°30' West, a distance of 8.40 feet; thence continuing along the centerline of North Channel Avenue along the arc of a 14°31' curve left having a central angle of 22°48'23" and a radius of 394.71 feet a distance of 157.11 feet; thence continuing along the centerline of North Channel Avenue North 75°18'23" West, a distance of 1007.84 feet to a point, said point being the beginning of a 24° curve right having a radius of 238.74 feet, and a central angle of 90°48'00"; thence following the semi-tangent North 75°18'23" West, a distance of 248.10 feet to the point of intersection of said curve; thence North 40°11'13" West, a distance of 549.7 feet to the true point of beginning; thence North 74°50'20" West, a distance of 72.00 feet; thence North 15°09'40" East, a distance of 57.00 feet; thence South 74°50'20" East, a distance of 72.00 feet; thence South 15°09'40" West, a distance of 57.00 feet to the true point of beginning.

Containing 4104.00 square feet.

B. A building situated on the above described real property containing approximately (2534) square feet hereinafter to be known and referred to as the "Sandblast Building".

C. Lessee is not granted the use of any other land other than for ordinary ingress and egress to and from the herein leased premises.

2. TERM:

The term of this lease shall be for a period of ten (10) years, commencing on JULY 1, 1969, and terminating on JUNE 30, 1979.

3. RENT:

Lessee shall pay Lessor rent of \$150.00 per month payable in advance for the premises above described. Payments shall be made to the Lessor at its offices in Portland, Oregon, or at such other place in the State of Oregon as it may designate in writing.

4640 S/F
520 S/F
5160 S/F

2626 short

4. TAXES:

Lessee shall pay all lawful taxes and assessments, which during the term hereto or any extension, may become a lien upon or which may be levied by the state, county, city, or any other tax-levying body upon the premises hereby leased, or upon Lessee's leasehold thereof, or any other taxable interest or possessory right which Lessee may have in or to the premises or facilities hereby leased, or the improvements thereon by reason of Lessee's use or occupancy thereof, as well as all taxes on taxable property, real or personal, owned by Lessee in and about said premises. Upon any termination of tenancy, all taxes then levied or a lien on any of said property or taxable interest therein shall be paid in full and without proration by Lessee, forthwith or as soon as a statement thereof has been issued by the tax collector, if termination occurs during the interval between attachment of the lien and issuance of statement.

5. USE OF LEASED PREMISES:

Lessee agrees that it will use and occupy the premises only for the purpose of a warehouse to perform sandblasting operations and related repairing, handling and storing of products and materials pertinent to the Lessee's marine repair operations.

6. UTILITY SERVICE:

The Lessor will provide the Lessee a metered air service for which the Lessee will pay a charge of \$55.00 per month subject to re-evaluation each month from air meter consumption records. Such charges shall be payable in advance to the Lessor at its offices in Portland, Oregon. There will be no other utility outlets of any kind provided by the Lessor to the above-mentioned

premises and any additions to or extensions of such utility outlets as the Lessee may from time to time desire shall be at the sole expense and responsibility of the Lessee. Any such contemplated service shall be submitted by the Lessee to the Lessor in the form of drawing layouts accompanied by specifications of materials and plans for installation. Upon receipt of written approval from the Lessor, the Lessee may then proceed with the installation as approved.

7. MAINTENANCE OF BUILDING AND EQUIPMENT:

Lessee covenants and agrees to maintain, at Lessee's own cost and expense the interior of the above-mentioned sandblast building and all improvements made therein including but not limited to air lines, flooring, partitions, walls and ceilings in good, constant, presentable and substantial condition and repair.

Lessee further covenants and agrees to maintain, at Lessee's own cost and expense, the exterior walls and roof areas of the building and improvements including but not limited to roof drains and downspouts and areas of entry and exit from the street, in constant good, presentable and substantial condition.

Said maintenance responsibility shall be for and run through the full term of this lease and form a part of the consideration for and between the Lessor and Lessee.

8. MOVEMENT OF BUILDING

Lessor retains the unqualified right to move or relocate said sandblast building at any time during the term of this lease. Lessor agrees to give Lessee written notice of such intent to move said building thirty (30) days prior to such a move. Any such move shall have no effect whatsoever

on the covenants and conditions set forth in this lease and shall not affect in any way the rights and obligations between the Lessor and Lessee.

9. PERSONAL PROPERTY:

All personal property of any kind or description whatsoever in the premises shall be at the Lessee's sole risk, and the Lessor shall not be liable for any damage done to or loss of such personal property or damage or loss suffered by the business or occupation of the Lessee arising from any acts of neglect, of the premises, or from heating or plumbing fixtures, or from electrical wires, or from gas, or odors caused in any manner whatsoever, other than by neglect of Lessor, its agents or employees.

10. INDEMNITY:

Lessee agrees fully to indemnify and save and hold harmless the said Lessor from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damage or injuries to third persons or their property, caused by the fault or negligence of Lessee, its agents, or employees, in the use or occupancy of the said premises by Lessee; provided however, that Lessee shall not be liable for any injury or damage or loss occasioned by the negligence of the Lessor, its agents or employees; and provided further that the Lessor shall give to Lessee prompt and reasonable notice of any such claims or actions and Lessee shall have the right to investigate, compromise, and defend same.

11. INSURANCE:

Lessee agrees to carry and keep in force, public liability insurance covering personal injury and property damage, to protect the Lessor herein from such claims and actions aforesaid. Without limiting its liability as

aforesaid, Lessee agrees to maintain with insurance underwriters satisfactory to the Lessor, a standard form of policy or policies of liability insurance in a sum of not less than \$200,000 for any one person, and \$500,000 for any one accident, and for property damage in a sum not less than \$250,000. Said policy or policies shall expressly acknowledge and affirm Lessee's obligation to hold the Lessor harmless as hereinabove stated. A certificate of such insurance covering all said policy or policies, shall be issued currently to the Lessor. The Lessor shall not be shown, listed, or named as co-assured or any additional assured by such policy or policies hereinabove required.

12. WAIVER OF SUBROGATION RIGHTS:

Neither the Lessor nor the Lessee shall be liable to the other for loss arising out of damage to or destruction of the leased premises, or the building or improvement of which the leased premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance if any. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Lessor or Lessee or by any of their respective agents, servants or employees.

It is the intention and agreement of the Lessor and the Lessee that the rentals reserved by this lease have been fixed in contemplation that each party shall fully provide his own fire insurance protection with extended coverage at his own expense, and that each party shall look to his respective

insurance carriers for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this lease. Neither the Lessor nor the Lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

13. PAYMENTS BY THE LESSOR RECOVERABLE FROM LESSEE:

The Lessor, shall, at its option, have the right at all times during the term herein, to pay any taxes, assessments, water rates, or other charges on the premises and reversionary interest therein remaining unpaid after the same have become due and payable, and to pay, cancel, and clear off all tax sales, liens, charges, and claims on or against the premises or reversionary interest therein, and to redeem the premises from the same, or any of them, from time to time, and the amount paid, including reasonable expenses, shall be so much additional rent due from Lessee at next rent day after such payment with interest thereon at the rate of ten (10) per cent per annum from the date of payment thereof by the Lessor, until the repayment thereof to the Lessor by Lessee.

If the Lessor, at its option, shall advance or pay any such taxes, assessments, water rates, or other charges, or pay, cancel, and clear off any tax sales, liens, or charges and claims on and against premises or the reversionary interest therein, it shall not be obligatory on the Lessor to inquire into the validity of any such taxes, assessments, water rates, or other charges, or any such tax sale, provided that Lessor shall give Lessee ten (10) day's prior notice of Lessor's intent to pay said taxes, assessments, water rates, or other charges, or any such tax sale. It is further provided that if Lessee shall be actively prosecuting its administrative or legal

remedies in protest of any tax, assessment, water rates or other charges, the Lessor shall not have the right to pay or advance sums referable thereto until such remedies shall have been exhausted.

14. REPAIRS AND IMPROVEMENTS:

It is agreed that Lessor shall not be required to make any repairs, alterations, additions, or improvements to or upon said premises except when it shall have agreed in writing to perform specific work. Lessee agrees that there will be no alterations, additions, or improvements to or upon said premises without the written approval of the Lessor first being obtained and all additions and improvements made by the Lessee (except only movable office furniture and trade fixtures) shall become the property of the Lessor upon the termination of the lease.

15. INSPECTION:

The Lessor reserves the right at any reasonable time during the continuance of this lease to enter upon the said premises, either in person or through its designated agents or employees, for the purpose of inspecting said premises and ascertaining the condition of the same or for any other purpose whatsoever.

16. LIENS:

Lessee will not permit any lien of any kind, type, or description to be placed or imposed upon the building, or any part thereof, or the real estate on which it stands, provided that this clause shall not be deemed to be breached if Lessee actively disputes the validity of any asserted lien, and proceeds with its administrative or legal remedies with respect thereto, and, if the same be finally held valid, promptly effects the removal thereof.

17. ADVERTISING SIGNS:

Lessee shall have the right to install or cause to be installed appropriate signs on the premises to advertise the nature of its business. The cost of such installations and operations shall be borne by the Lessee. Lessee shall not erect, install, operate, or cause, nor permit to be erected, installed, or operated upon the premises herein, any sign or other advertising device without first having obtained the Lessor's written consent thereto as to size, construction, locations and general appearance.

18. WAIVER:

Any waiver by the Lessor of any breach of any covenant herein contained to be kept and performed by the Lessee shall not be deemed or considered as a continuing waiver, and shall not operate to bar or prevent the Lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise. Acceptance of payment of rental shall not be deemed a waiver.

19. NOTICES:

All notices required under this lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Lessor at The Port of Portland, P. O. Box 3529, Portland, Oregon 97208, and to the Lessee at Pacific Marine Services, Inc., Building 9, Swan Island, Portland, Oregon 97217. Date of service of such notices shall be the date such notice is deposited in a post office of the United States Post Office Department at Portland, Oregon, postage prepaid.

20. HOLDING OVER:

In the event that the Lessee shall remain on the premises after the expiration or sooner termination of the term of this lease, such holding over shall not constitute a renewal or extension of this lease. The Lessor may, at its option, elect to treat the Lessee as one who has not removed at the end of his term, and thereupon be entitled to all the remedies against the Lessee provided by law in that situation, or the Lessor may elect, at its option, to construe such holding over as a tenancy from month to month, subject to the payment of all rent in advance, the monthly rate being proportional to the previous annual rent paid by Lessee, and subject to the payment of taxes, assessments and charges as specified in Article 7 hereof, it being particularly noted, that under present tax laws, holding over for even one day will require payment of a full year's property taxes.

21. ATTORNEY'S FEES:

In the event any action or suit or proceeding is brought to collect the rent due or to become due hereunder or any portion thereof, or to take possession of said premises or to enforce compliance with this agreement, or caused by failure of Lessee to observe any of the covenants of this agreement, Lessee agrees to pay Lessor such sum as the court may adjudge reasonable as attorney's fees to be allowed in said suit, action or proceeding, providing that Lessor prevails therein.

22. ASSIGNMENT:

It is contemplated by the Lessor and Lessee that the Lessee may desire to sublease or assign this lease agreement to other contractors engaging in a similar type business as that carried on by the Lessee. For this purpose

Lessee agrees not to assign the rights and obligations of this lease or sublease the premises without the prior written consent of the Lessor.

At no time shall the dollar rental amount of any such assignment or sublease be more than the dollar amount of rental herein contained between Lessor and Lessee.

23. CONDEMNATION:

If the whole or any part of the premises hereby leased shall be condemned or taken by any county, federal, state or other authority for any purpose, then the term of this lease shall cease on the day of possession by the condemning agency and the rent therefore shall be paid up to that day.

24. SURRENDER AND REDELIVERY:

On the last day of the term hereof, or upon any sooner termination hereof, or upon the termination of any holding over, Lessee will quit and deliver up said premises and all equipment, fixture erections or additions to or upon the same, broom-clean, to the Lessor, peaceably, quietly, and in as good order and condition, reasonable use and wear thereof, damage by fire and the elements alone excepted, as the same are now in or hereafter may be put in by the Lessor or the Lessee.

25. STATUTORY PROVISIONS:

This lease is subject to the provisions of O.R.S. 279.312 through 279.320 inclusive, which, by this reference are incorporated herein as fully as though set forth verbatim.

26. SCOPE OF WORDS USED:

Each of the expressions, phrases, terms, conditions, provisions, stipulations, admissions, promises, agreements, requirements and obligations of this lease shall extend to and bind or inure to the benefit of the parties hereto, and each of the heirs, executors, administrators, successors and assigns of the parties hereto, and wherever in this lease a reference to either of the parties hereto is made, such reference shall be deemed to include wherever applicable, a reference to the heirs, legal representatives, successors and assigns of such party, the same as if in every case expressed.

IN WITNESS WHEREOF, the parties hereto have subscribed their names the day and year first above written.

PACIFIC MARINE SERVICES, INC.

By

By

THE PORT OF PORTLAND

By

By

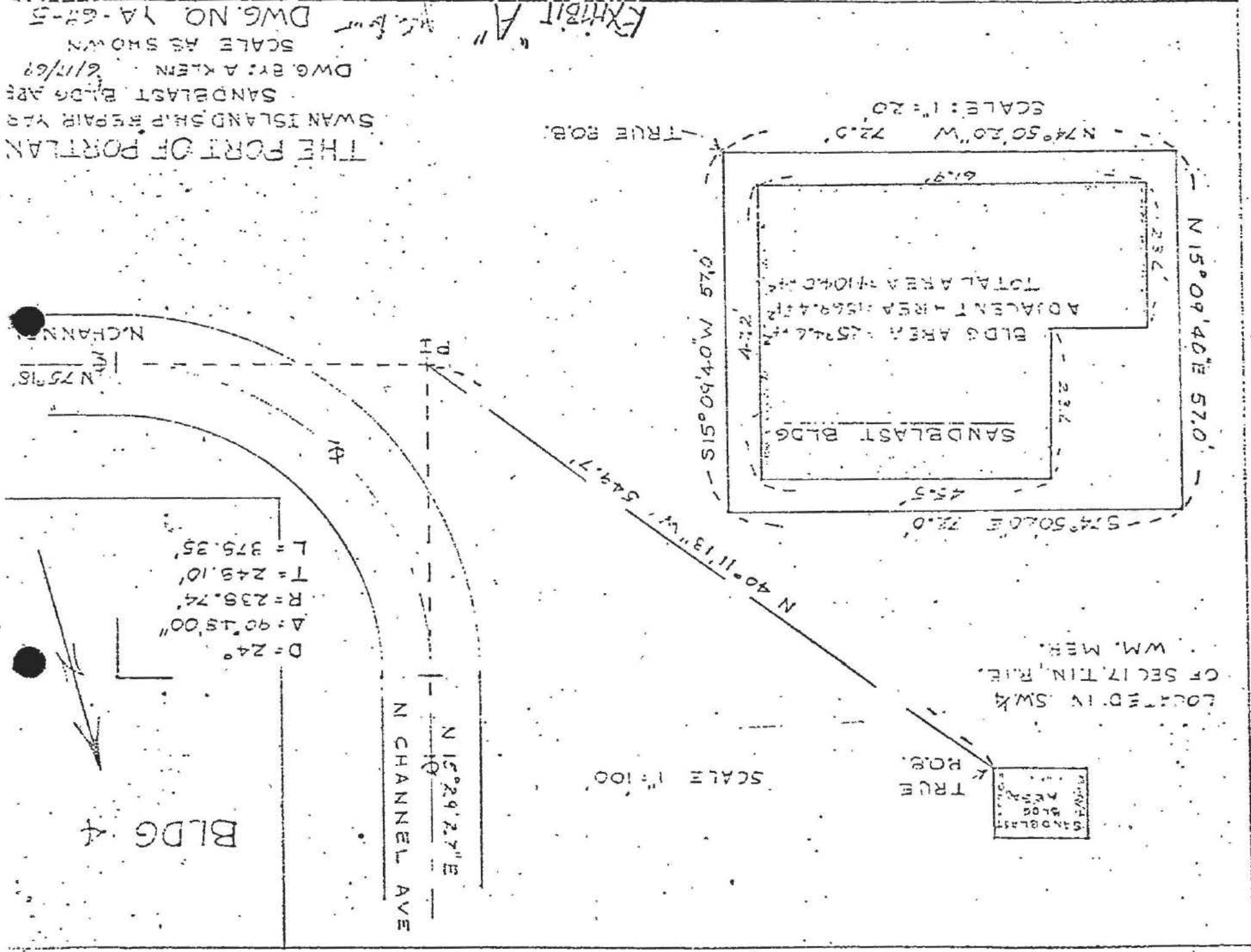
RECORDED & INDEXED
ON November 10 1969

Oden Beem
Mayor, P. M.

RECEIVED
JMB
General Manager

J. L. Thompson
Deputy Mayor

Lynton L. Patton
Deputy Mayor



CONSENT TO LEASE ASSIGNMENT

This agreement made and entered into this June 19, 1974, by and between the Port of Portland, a municipal corporation organized and existing under the laws of the State of Oregon, and PacMar Services, Inc., an Oregon Corporation, and Crosby and Overton, Inc., a California Corporation.

W I T N E S S E T H

WHEREAS, by lease dated April 5, 1966, and November 10, 1969, as amended June 19, 1974, said Port of Portland, as lessor, leased to PacMar Services, Inc., as lessee, the right and privileges of occupying certain property of the Port located at Swan Island, Portland, Oregon; and

WHEREAS, one of the covenants of the lease of April 5, 1966; in Section XXVI and in the lease of November 10, 1969; in Section 22, specifies that lessee shall not assign said lease or suffer or permit any other person or corporation to use or lease said premises except with the written consent of lessor and;

WHEREAS, lessor by Commission action of June 19, 1974 has consented to said assignment,

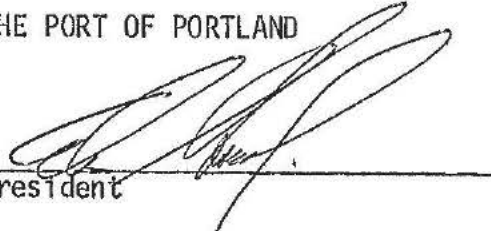
NOW THEREFORE, the Port of Portland in consideration of the premises and other good and valuable consideration to it in hand paid by lessee, PacMar Services, Inc., receipt of which is hereby acknowledged, does hereby give

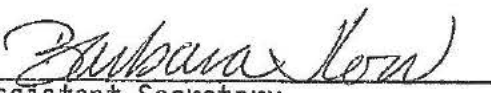
and consent in writing to the assignment of the lease dated April 5, 1966, and the lease dated November 10, 1969, as amended June 19, 1974, to Crosby and Overton, Inc., of California; and Crosby and Overton, Inc. of California, as the new tenant and lessee, agrees to and assumes all rights and obligations of PacMar Services, Inc., under the terms of the two leases and amendments thereto.

IN WITNESS WHEREOF, the Port of Portland has executed this consent to assignment the day and year above written.

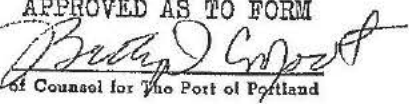
LESSOR

THE PORT OF PORTLAND


President


Assistant Secretary

APPROVED AS TO FORM


of Counsel for The Port of Portland

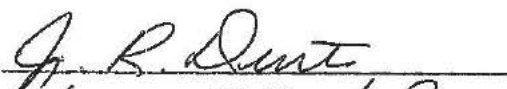
LESSEE

PACMAR SERVICES, INC.


Pres

LESSEE

CROSBY AND OVERTON


James R. Dent, Pres

MONTH-TO-MONTH LEASE

THIS LEASE, dated October 15, 1984, by and between
THE PORT OF PORTLAND, a municipal corporation of the state of Oregon,
hereinafter referred to as Port, and Nordic Well Servicing, Inc.
_____,
a corporation organized under the laws of the State of Alaska,
hereinafter referred to as Lessee,

ARTICLE I - PREMISES

Section 1.01 - Description: Port leases to Lessee, on the terms and
conditions stated below, the premises consisting of: Building 4,
Bay 2 (portion) 11,500 square feet of shop space. Includes use of overhead
crane rated at 25 tons.

Section 1.02 - Use of Premises: Lessee may use the premises only for
the following purpose: Construction of oil well drilling equipment and related
activities.

ARTICLE II - TERM

The term of this Lease shall commence on November 1,
1984, and continue month-to-month until terminated by either party upon
thirty (30) days written notice.

ARTICLE III - RENTAL

Lessee shall pay to Port as rent the sum of Twenty-eight Hundred,
Seventy-five Dollars (\$2,875.00) per month.

Rent shall be payable on the tenth (10th) day of each month in advance.

Includes: 11,500 square feet of shop space @ \$0.20/square foot/month
(with overhead crane service) and utilities (electricity, natural gas,
oxygen, and compressed air) @ \$0.05/square foot/month.

Payment shall be to the Port at its offices in Portland, Oregon, or
such other place as the Port may designate.

All rental amounts remaining unpaid by Lessee when due will be assessed
a delinquency charge at the current rate established by Port policy.

ARTICLE IV - LESSEE'S OBLIGATIONS

Section 4.01 - Construction of Improvements: Prior to any construction,
alteration or changes upon the leased premises, Lessee shall submit to the
Port final plans and specifications, site-use plan, and architectural
rendering thereof and shall not commence any construction until it has
received the Port's written approval. The applicant shall obtain all
necessary Port, federal, state and local permits and shall comply with
all applicable codes and regulations, including approval by the State Fire
Marshall's office governing such operations. The current Port application
form for permission to make alterations or additions on property owned or
controlled by the Port must be submitted to the Port prior to modifications.

Section 4.02 - Maintenance: Lessee shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed or made thereon by Lessee, in good and substantial repair and condition. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.03 - Services: Lessee shall promptly pay any charges for telephone, utilities, or services furnished to the leased premises at Lessee's order or consent not specifically addressed in Article III.

Section 4.04 - Taxes: Lessee agrees to pay all lawful taxes levied by the state, county, city, or any other tax levying body upon any taxable possessory right which Lessee may have in or to the premises or facilities or the improvements therein as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said premises. Upon any termination or tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by Lessee forthwith or as soon as a statement thereof has been issued by the tax collector.

ARTICLE V - INSURANCE

Section 5.01 - Indemnity: Lessee agrees fully to indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of

damages or injuries to third persons or their property, caused by the fault or negligence in whole or in part of the Lessee, its subtenants or employees in the use or occupancy of the premises hereby leased; provided that the Port shall give to the Lessee prompt and reasonable notice of any such claims or actions, and the Lessee shall have the right to investigate, compromise and defend same, provided such claim is not the result of negligent act of the Port.

Section 5.02 - Insurance: Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers, servants and employees, insuring Lessee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than One Million (\$1,000,000) Dollars combined single limit. Such insurance shall name the Port, its commissioners, officers and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

Lessee shall furnish to the Port a certificate evidencing the date, amount and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

ARTICLE VI - TERMINATION

Section 6.01 - General: Upon termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the leased premises in good condition. Alterations constructed by the Lessee with permission from the Port shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use for the purpose for which the premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender. A joint survey of the leased area will be taken prior to the termination of the Lease by both the Port and the Lessee to determine the condition of the leased premises.

Section 6.02 - Fixtures:

A. All fixtures placed upon the leased premises during the term, other than Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering other than hard surface bonded or adhesively fixed flooring, curtains, blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the leased premises by the Lessee.

B. If the Port so elects, the Lessee shall remove any or all fixtures which would otherwise remain the property of the Port, and shall repair any physical damage resulting from the removal. If the Lessee fails to remove such fixtures, the Port may do so and charge the cost to the Lessee with interest at the current rate established by Port policy per annum from the date of expenditure. The Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of the Lessee. If the Lessee

fails to do so, this shall be an abandonment of the property, and the Port may retain the property and all rights of the Lessee with respect to it shall cease or, by notice in writing given to Lessee within twenty (20) days after removal was required, the Port may elect to hold the Lessee to his obligation of removal. If the Port elects to require the Lessee to remove, the Port may effect a removal and place the property in public storage for the Lessee's account. The Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at the current rate established by Port policy per annum on all such expenses from the date of expenditure by the Port.

C. The time for removal of any property or fixtures which the Lessee is required to remove from the leased premises upon termination shall be as follows:

1. On or before the date the Lease terminates.
2. Within thirty (30) days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

ARTICLE VII - GENERAL PROVISIONS

Section 7.01 - Assignment of Interest or Rights: Neither Lessee nor any assignee or other successor of Lessee shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Lessee's rights in and to this Lease or any interest therein, nor license or permit the use of the rights herein granted in whole or in part without the prior written consent of the Port.

Section 7.02 - Attorney Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 7.03 - Warranties/Guarantees: Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the leased premises, and it is agreed that the Port will not be responsible for any loss, damage or costs which may be incurred by Lessee by reason of any such physical condition.

Section 7.04 - Consent of Port: Whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval or direction shall be received in writing from the Port of Portland.

Section 7.05 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, and to the Lessee, Ron Rowbotham, Nordic Well Servicing, Inc., #305, 5208 53rd Avenue, Red Deer, Alberta, CANADA, T4N5K2*

Date of service of such notice is date such notice is deposited in a post office of the United States Post Office Department, postage prepaid.

* Alternate Address: #109, 3300 "C" Street, Anchorage, Alaska 99503

Section 7.06 - Special Conditions: NONE

IN WITNESS WHEREOF, the Parties hereto have subscribed their names.

LESSEE

THE PORT OF PORTLAND

By



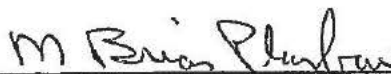
Phil Snisarenko
Operations Superintendent

By



Executive Director

APPROVED AS TO FORM



Counsel for The Port of Portland

MONTH-TO-MONTH
LEASE OF IMPROVED SPACES

THIS LEASE, dated October 22, 1986, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as "Port," and ZARCON CORPORATION, a corporation organized under the laws of the State of California, hereinafter referred to as "Lessee."

ARTICLE I - PREMISES

Section 1.01. - Description: Port leases to Lessee, on the terms and conditions stated below, the Premises consisting of approximately Eight Thousand Five Hundred (8,500) square feet which is on the date of this Lease improved and commonly known as Building 72, Bay 2 (hereafter referred to as "Premises").

Section 1.02 - Use of Premises: Lessee may use the Premises only for the following purpose: Warehouse and Shops related to ship repair.

ARTICLE II - TERM

Section 2.01 - Term: The term of this lease shall commence on October 3, 1986, and shall continue indefinitely, unless terminated by either party upon thirty (30) days written notice or by Lessee's default.

ARTICLE III - RENTAL

Section 3.01 - Basic Rent: Lessee shall pay to Port as rent the sum of One Thousand Eight Hundred Forty-Eight (\$1,848.00) per month. Rent shall be payable on the tenth (10th) day of each month in advance, except that rent for the first and last months has been paid upon the execution of this Lease and Port acknowledges receipt of this sum.

Section 3.02 - Place of Payments: Payment shall be to Port at the Port of Portland, PO Box 3529, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of eighteen percent (18%) per annum. The interest rate of eighteen percent (18%) on overdue accounts is subject to periodic adjustment to reflect the Port's then current interest rate charged on overdue accounts.

ARTICLE IV - GENERAL CONDITIONS

Section 4.01 - Delivery: Should Port be unable to deliver possession of the Premises on the date fixed for the commencement of the term, Lessee shall owe no rent until notice from Port tendering possession to Lessee. If possession is not so tendered within sixty (60) days following commencement of the term, then Lessee may elect to cancel this Lease by notice to Port within ten (10) days following expiration of the sixty (60) day period. Port shall have no

liability to Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

In the event Port shall permit Lessee to occupy the Premises prior to the commencement date herein set forth, such occupancy shall be subject to all the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.

Section 4.02 - Assignment: The Lessee will not assign this Lease or any interest hereunder, and will not permit any assignment hereof by operation of law, and will not subrent or sublet said Premises or any portion thereof, and will not permit the use or occupancy of said Premises by other than the Lessee and his agents and employees of the Lessee, without first obtaining the written consent of the Port.

Section 4.03 - Alterations: The Lessee will make no installations, alterations, modification, or additions to said Premises without first obtaining the written consent of the Port and all additions, improvements, and fixtures, except the moveable office furniture and trade fixtures of the Lessee, made or added either by the Lessee or Port shall be and remain the property of the Port; provided, however, the Port may require that the Lessee remove upon termination of this Lease any additions made or fixtures added by the Lessee's expense.

Section 4.04 - Uses: The Lessee will not use or permit in said Premises anything that will increase the rate of fire insurance thereon or prevent the Port taking advantage of any ruling of the Insurance Service Office of Oregon or its successors, which would allow the Port to obtain reduced rates for long-term insurance policies; or maintain anything that may be dangerous to life or limb; or in any manner deface or injure said building or any portion thereof; or overload the floors; or permit any objectionable noise or odor to escape or to be emitted from said Premises; or permit anything to be done upon said Premises in any way tending to create a nuisance or to disturb any other tenants of the building, or to injure the reputation of the building; or to use or permit the use of said Premises for lodging or sleeping purposes or for any immoral or illegal purposes; and that the Lessee will comply at Lessee's own cost and expense with all orders, notices, regulation, or requirements of any municipality, state, or other governmental authority respecting the use of said Premises.

Section 4.05 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from negligence of the Port.

The Lessee shall indemnify and save harmless the Port against and from any and all claims by or on behalf of any person, firm or corporation arising from the conduct or management of or from any work or thing whatsoever done by the Lessee or its agents, contractors, servants, or employees in or about the demised Premises or the building, and will further indemnify and save the Port harmless against and from any and all claims arising from any breach or default on the Port of the Lessee in the Performance of any covenant or agreement on the part of the Lessee to be performed, pursuant to the terms of this Lease or arising from any act of negligence of the Lessee, or any of its agents, contractors, servants, or employees occurring during the term of this Lease in or about the demised Premises or the building, and from and against all costs, counsel fees, expenses, and liabilities incurred in or about any such claim or action or proceeding brought thereon. In case any action or proceeding be brought against the Port by reason of any such claim, the Port may, at its option, require that the Lessee resist or defend such action or proceeding at the Lessee's own cost and expense and by counsel reasonably satisfactory to the Port.

Section 4.06 - Vacation: Upon vacation or abandonment of the Premises by the Lessee prior to the expiration of the Lease term without written consent of the Port endorsed hereon, the Port may forthwith enter upon the Premises or any portion thereof and relet and otherwise exercise control over the same and that for the purpose

of such reletting the said Port is authorized at the cost of the Lessee to make any repairs, changes, alterations, or additions in or to said demised Premises which may be necessary in the opinion for the Port for the purpose of such reletting, and such entry and control shall not release the Lessee from the obligations herein, but Lessee shall nevertheless remain liable and continue bound, unless the Port, at Port's election, shall cancel the Lease and in the event cancellation shall be effected and Port and Lessee released from all obligations thereunder thereafter to accrue, upon the mailing of such notice of cancellation by Port to Lessee at Lessee's last known address.

Section 4.07 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

Section 4.08 - Electrical: The Lessee shall not, without Port's written consent, operate or install any electrical equipment or operate or install any machinery or mechanical device on said Premises other than that normal to office use.

Section 4.09 - Inspection: The Port and the Port's agents, janitors, workmen and engineers may retain and use a pass-key to the Premises described herein to enable them to examine said Premises

from time to time with reference to any emergency or to the general maintenance of said Premises, or for the purposes of exhibiting the same.

Section 4.10 - Premises Care: The Lessee shall at all times take good care of the demised Premises and shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed, or made thereon by Lessee, in good and substantial repair and condition. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.11 - Surrender: At the expiration or sooner termination of this Lease, the Lessee will surrender and deliver up said Premises to the Port or those having the Port's estate therein, in the same condition as the Lessee now receives said Premises, ordinary wear and tear and damage by fire and the elements alone excepted.

Section 4.12 - Action/Suit: If any suit or appeal thereof is instituted by either party for the enforcement of any covenant contained in this Lease, the prevailing party shall recover, in

addition to costs and disbursements, such attorneys' fees as the court may adjudge reasonable to be allowed in such suit or action or appeal thereof.

Section 4.13 - Default: If the rent shall be in arrears for a period of ten (10) days; or if the Lessee fails to keep or perform any of the covenants or conditions of this Lease; or if the leasehold interest of the Lessee shall be attached or levied on under execution; or if a petition is filed by Lessee for an arrangement with his creditors under Chapter 11 of the Bankruptcy Act; or if the Lessee shall be declared bankrupt or insolvent according to law; or if any assignment of the Lessee's property shall be made for the benefit of creditors, or otherwise, or if the Lessee fails to make prompt payment of any amounts due the Port in connection with the Lessee's occupancy of the Premises, then, and in any of said events, the Port may at the Port's option at once, without notice to the Lessee or any other person, terminate this Lease; and upon the termination of said Lease at the option of the Port, as aforesaid, or at the expiration of this Lease, and upon the termination of said Lease by its terms, the Lessee will at once surrender possession of said Premises to the Port and remove all the Lessee's effects therefrom; and if such possession be not immediately surrendered, the Port may forthwith enter into and on said Premises and repossess them as of the Port's former estate and expel the Lessee, or those claiming under the Lessee, and remove the effects

of any of them, forcibly if necessary, and lock said Premises, without being deemed guilty in any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenants; and that in such event the Lessee expressly waives the service of any notice of intention so to terminate this Lease or to retake the Premises, and waives service of any demand for payment of rent or for possession any of any and every other notice or demand prescribed by any law of the State of Oregon.

Section 4.14 - Remedies on Default: In the event of termination on default, the Port shall be entitled to request immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term the value of the Lessee's obligations to pay rent under this Lease, plus the reasonable cost of re-entry and reletting, including, without limitation, the cost of any cleanup, refurbishing, removal of the Lessee's property and fixtures or any other expense occasioned by the Lessee's failure to quit the demised Premises upon termination or to leave them in the required condition, any remodeling costs, attorneys' fees, court costs, broker commissions, and advertising costs, plus the unpaid cost of any tenant improvements being amortized over the term of this Lease, plus the amount of the loss of reasonable rental value from the date of default until a new tenant has been, or, with the exercise of reasonable diligence, could have been secured.

Section 4.15 -- Liens: The Lessee shall not suffer or permit any mechanic's lien to be filed against the fee of the demised Premises nor against the Lessee's leasehold interest in said Premises by reason of work, labor, services, or materials thereof through or under the Lessee, and nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of the Port, express or implied, by inference or otherwise to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration, or repair of or to the demised Premises or any part thereof, nor as giving the Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's lien against the fee of the demised Premises. If any such mechanic' lien shall at any time be filed against demised Premises, the Lessee shall cause the same to be discharged of record within twenty (20) days after the date of filing the same.

Section 4.16 - Holding Over: If the Lessee shall hold over after the expiration of the term of this Lease, and shall not have agreed in writing with the Port upon the terms and provision of a new lease prior to such expiration, the Lessee shall remain bound by all terms, covenants, and agreements hereof, except that the tenancy shall be one from month to month.

Section 4.17 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased premises (see Attachment 'A').

Section 4.18 - Regulations: The Port, for the proper maintenance of said building; the rendering of good service, and the providing of safety, order, and cleanliness, may make and enforce regulations appropriate for such purposes but not in enlargement of or inconsistent with the terms, covenants and conditions of this Lease.

Section 4.19 - Waiver: Any waivers shall be in writing. The covenants of this Lease are continuing covenants and the waiver by the Lessor of breaches of said covenants shall not be deemed a waiver of subsequent breaches thereof.

Section 4.20 - Modification: This Lease may not be modified except by endorsement in writing attached to this Lease, dated and signed by all the parties hereto, and Port shall not be bound by any oral or written statement of any servant, agent, or employee modifying this Lease.

Section 4.21 - Parties: The rights, liabilities, and remedies provided for herein shall extend to the heirs, legal representatives,

successors and, so far as the terms of this Lease permit, assigns of the parties hereto, and the words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become parties hereto.

Section 4.22 - Subordination: This Lease shall be subject and subordinate to such liens and encumbrances as are now on or as Port may hereafter impose on the land and building, and the Lessee shall upon request of Port, execute and deliver agreements of subordination consistent herewith.

Section 4.23 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the State, County, City, or any other tax levying body upon the Premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the Premises of facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said Premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by

Lessee forthwith or as soon as a statement thereof has been issued by tax collector.

Section 4.24 - Insurance: Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers, servants, and employees, insuring Lessee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than One Million and No/100 Dollars (\$1,000,000.00) combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

Lessee shall furnish to the Port an acceptable certificate evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

Section 4.25 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at the Port of Portland, PO Box 3529, Portland, Oregon 97208, and to the Lessee at Zarcon Corporation, 3644 Main Street, San Diego, California 92113.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

ZARCON CORPORATION

THE PORT OF PORTLAND

By



By


Executive Director

By

By

APPROVED AS TO FORM:

APPROVED AS TO LEGAL SUFFICIENCY:

Counsel for Lessee



Counsel for The Port of Portland

ATTACHMENT 'A'

This disclosure statement refers to the lease dated _____, between the PORT OF PORTLAND and ZARCON CORPORATION, for the month-to-month rental of the improved space commonly known as Building 72, Bay 2.

For the authorized purposes of the above lease, the following utilities will be provided at the stated rates:

| <u>Y/N</u> | <u>UTILITY</u> | <u>NOTE</u> |
|------------|---|--|
| Y | Electricity | (\$0.08/kwh) |
| Y | Natural Gas | (\$0.46/ccf) |
| N | Steam | (\$265.00/service day) |
| Y | Compressed Air | (\$17.50/workday-Light Service) (\$70.00/workday-Heavy Service) |
| Y | Oxygen-with Gas | (\$5.00/100 cf of Gas Consumed) |
| N | Area Heat | Not Available |
| N | Area Air Cond. | Not Available |
| N | Water | (\$4.00/ccf of Water consumed) |
| N | Sewer | -or- (\$137.50/month) |
| Y | Flat rate of \$0.05 per square foot per month (\$420.00 per month) | |

TELEPHONE SERVICE, REFUSE COLLECTION, AND JANITORIAL SERVICES ARE THE RESPONSIBILITY OF THE LESSEE.

The rates are subject to change upon thirty-days notice.

ACKNOWLEDGED:

Signature

Date

MONTH-TO-MONTH
LEASE OF IMPROVED SPACES

THIS LEASE, dated 11/6/86, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as "Port," and ZARCON CORPORATION, a corporation organized under the laws of the State of California, hereinafter referred to as "Lessee."

ARTICLE I - PREMISES

Section 1.01. - Description: Port leases to Lessee, on the terms and conditions stated below, the Premises consisting of approximately Eight Hundred (800) square feet which is on the date of this Lease improved and commonly known as Building 10 (hereinafter referred to as "Premises").

Section 1.02 - Use of Premises: Lessee may use the Premises only for the following purpose: Offices related to ship repair.

ARTICLE II - TERM

Section 2.01 - Term: The term of this lease shall commence on November 1, 1986, and shall continue indefinitely, unless terminated by either party upon thirty (30) days written notice or by Lessee's default.

ARTICLE III - RENTAL

Section 3.01 - Basic Rent: Lessee shall pay to Port as rent the sum of Four Hundred Dollars (\$400.00) per month. Rent shall be payable on the tenth (10th) day of each month in advance, except that rent for the first and last months has been paid upon the execution of this Lease and Port acknowledges receipt of this sum.

Section 3.02 - Place of Payments: Payment shall be to Port at the Port of Portland, PO Box 3529, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of eighteen percent (18%) per annum. The interest rate of eighteen percent (18%) on overdue accounts is subject to periodic adjustment to reflect the Port's then current interest rate charged on overdue accounts.

ARTICLE IV - GENERAL CONDITIONS

Section 4.01 - Delivery: Should Port be unable to deliver possession of the Premises on the date fixed for the commencement of the term, Lessee shall owe no rent until notice from Port tendering possession to Lessee. If possession is not so tendered within sixty (60) days following commencement of the term, then Lessee may elect to cancel this Lease by notice to Port within ten (10) days following expiration of the sixty (60) day period. Port shall have no

liability to Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

In the event Port shall permit Lessee to occupy the Premises prior to the commencement date herein set forth, such occupancy shall be subject to all the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.

Section 4.02 - Assignment: The Lessee will not assign this Lease or any interest hereunder, and will not permit any assignment hereof by operation of law, and will not subrent or sublet said Premises or any portion thereof, and will not permit the use or occupancy of said Premises by other than the Lessee and his agents and employees of the Lessee, without first obtaining the written consent of the Port.

Section 4.03 - Alterations: The Lessee will make no installations, alterations, modification, or additions to said Premises without first obtaining the written consent of the Port and all additions, improvements, and fixtures, except the moveable office furniture and trade fixtures of the Lessee, made or added either by the Lessee or Port shall be and remain the property of the Port; provided, however, the Port may require that the Lessee remove upon termination of this Lease any additions made or fixtures added by the Lessee's expense.

Section 4.04 - Uses: The Lessee will not use or permit in said Premises anything that will increase the rate of fire insurance thereon or prevent the Port taking advantage of any ruling of the Insurance Service Office of Oregon or its successors, which would allow the Port to obtain reduced rates for long-term insurance policies; or maintain anything that may be dangerous to life or limb; or in any manner deface or injure said building or any portion thereof; or overload the floors; or permit any objectionable noise or odor to escape or to be emitted from said Premises; or permit anything to be done upon said Premises in any way tending to create a nuisance or to disturb any other tenants of the building, or to injure the reputation of the building; or to use or permit the use of said Premises for lodging or sleeping purposes or for any immoral or illegal purposes; and that the Lessee will comply at Lessee's own cost and expense with all orders, notices, regulation, or requirements of any municipality, state, or other governmental authority respecting the use of said Premises.

Section 4.05 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from negligence of the Port.

The Lessee shall indemnify and save harmless the Port against and from any and all claims by or on behalf of any person, firm or corporation arising from the conduct or management of or from any work or thing whatsoever done by the Lessee or its agents, contractors, servants, or employees in or about the demised Premises or the building, and will further indemnify and save the Port harmless against and from any and all claims arising from any breach or default on the Port of the Lessee in the Performance of any covenant or agreement on the part of the Lessee to be performed, pursuant to the terms of this Lease or arising from any act of negligence of the Lessee, or any of its agents, contractors, servants, or employees occurring during the term of this Lease in or about the demised Premises or the building, and from and against all costs, counsel fees, expenses, and liabilities incurred in or about any such claim or action or proceeding brought thereon. In case any action or proceeding be brought against the Port by reason of any such claim, the Port may, at its option, require that the Lessee resist or defend such action or proceeding at the Lessee's own cost and expense and by counsel reasonably satisfactory to the Port.

Section 4.06 - Vacation: Upon vacation or abandonment of the Premises by the Lessee prior to the expiration of the Lease term without written consent of the Port endorsed hereon, the Port may forthwith enter upon the Premises or any portion thereof and relet and otherwise exercise control over the same and that for the purpose

of such reletting the said Port is authorized at the cost of the Lessee to make any repairs, changes, alterations, or additions in or to said demised Premises which may be necessary in the opinion for the Port for the purpose of such reletting, and such entry and control shall not release the Lessee from the obligations herein, but Lessee shall nevertheless remain liable and continue bound, unless the Port, at Port's election, shall cancel the Lease and in the event cancellation shall be effected and Port and Lessee released from all obligations thereunder thereafter to accrue, upon the mailing of such notice of cancellation by Port to Lessee at Lessee's last known address.

Section 4.07 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

Section 4.08 - Electrical: The Lessee shall not, without Port's written consent, operate or install any electrical equipment or operate or install any machinery or mechanical device on said Premises other than that normal to office use.

Section 4.09 - Inspection: The Port and the Port's agents, janitors, workmen and engineers may retain and use a pass-key to the Premises described herein to enable them to examine said Premises

from time to time with reference to any emergency or to the general maintenance of said Premises, or for the purposes of exhibiting the same.

Section 4.10 - Premises Care: The Lessee shall at all times take good care of the demised Premises and shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed, or made thereon by Lessee, in good and substantial repair and condition. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.11 - Surrender: At the expiration or sooner termination of this Lease, the Lessee will surrender and deliver up said Premises to the Port or those having the Port's estate therein, in the same condition as the Lessee now receives said Premises, ordinary wear and tear and damage by fire and the elements alone excepted.

Section 4.12 - Action/Suit: If any suit or appeal thereof is instituted by either party for the enforcement of any covenant contained in this Lease, the prevailing party shall recover, in

addition to costs and disbursements, such attorneys' fees as the court may adjudge reasonable to be allowed in such suit or action or appeal thereof.

Section 4.13 - Default: If the rent shall be in arrears for a period of ten (10) days; or if the Lessee fails to keep or perform any of the covenants or conditions of this Lease; or if the leasehold interest of the Lessee shall be attached or levied on under execution; or if a petition is filed by Lessee for an arrangement with his creditors under Chapter 11 of the Bankruptcy Act; or if the Lessee shall be declared bankrupt or insolvent according to law; or if any assignment of the Lessee's property shall be made for the benefit of creditors, or otherwise, or if the Lessee fails to make prompt payment of any amounts due the Port in connection with the Lessee's occupancy of the Premises, then, and in any of said events, the Port may at the Port's option at once, without notice to the Lessee or any other person, terminate this Lease; and upon the termination of said Lease at the option of the Port, as aforesaid, or at the expiration of this Lease, and upon the termination of said Lease by its terms, the Lessee will at once surrender possession of said Premises to the Port and remove all the Lessee's effects therefrom; and if such possession be not immediately surrendered, the Port may forthwith enter into and on said Premises and repossess them as of the Port's former estate and expel the Lessee, or those claiming under the Lessee, and remove the effects of any of them,

forcibly if necessary, and lock said Premises, without being deemed guilty in any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenants; and that in such event the Lessee expressly waives the service of any notice of intention so to terminate this Lease or to retake the Premises, and waives service of any demand for payment of rent or for possession any of any and every other notice or demand prescribed by any law of the State of Oregon.

Section 4.14 - Remedies on Default: In the event of termination on default, the Port shall be entitled to request immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term the value of the Lessee's obligations to pay rent under this Lease, plus the reasonable cost of re-entry and reletting, including, without limitation, the cost of any cleanup, refurbishing, removal of the Lessee's property and fixtures or any other expense occasioned by the Lessee's failure to quit the demised Premises upon termination or to leave them in the required condition, any remodeling costs, attorneys' fees, court costs, broker commissions, and advertising costs, plus the unpaid cost of any tenant improvements being amortized over the term of this Lease, plus the amount of the loss of reasonable rental value from the date of default until a new tenant has been, or, with the exercise of reasonable diligence, could have been secured.

Section 4.15 - Liens: The Lessee shall not suffer or permit any mechanic's lien to be filed against the fee of the demised Premises nor against the Lessee's leasehold interest in said Premises by reason of work, labor, services, or materials thereof through or under the Lessee, and nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of the Port, express or implied, by inference or otherwise to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration, or repair of or to the demised Premises or any part thereof, nor as giving the Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's lien against the fee of the demised Premises. If any such mechanic' lien shall at any time be filed against demised Premises, the Lessee shall cause the same to be discharged of record within twenty (20) days after the date of filing the same.

Section 4.16 - Holding Over: If the Lessee shall hold over after the expiration of the term of this Lease, and shall not have agreed in writing with the Port upon the terms and provision of a new lease prior to such expiration, the Lessee shall remain bound by all terms, covenants, and agreements hereof, except that the tenancy shall be one from month to month.

Section 4.17 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased premises (see Attachment 'A').

Section 4.18 - Regulations: The Port, for the proper maintenance of said building; the rendering of good service, and the providing of safety, order, and cleanliness, may make and enforce regulations appropriate for such purposes but not in enlargement of or inconsistent with the terms, covenants and conditions of this Lease.

Section 4.19 - Waiver: Any waivers shall be in writing. The covenants of this Lease are continuing covenants and the waiver by the Lessor of breaches of said covenants shall not be deemed a waiver of subsequent breaches thereof.

Section 4.20 - Modification: This Lease may not be modified except by endorsement in writing attached to this Lease, dated and signed by all the parties hereto, and Port shall not be bound by any oral or written statement of any servant, agent, or employee modifying this Lease.

Section 4.21 - Parties: The rights, liabilities, and remedies provided for herein shall extend to the heirs, legal representatives,

successors and, so far as the terms of this Lease permit, assigns of the parties hereto, and the words "Port" and "Lessee" and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms, or corporations which may be or become parties hereto.

Section 4.22 - Subordination: This Lease shall be subject and subordinate to such liens and encumbrances as are now on or as Port may hereafter impose on the land and building, and the Lessee shall upon request of Port, execute and deliver agreements of subordination consistent herewith.

Section 4.23 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the State, County, City, or any other tax levying body upon the Premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the Premises of facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said Premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by Lessee

forthwith or as soon as a statement thereof has been issued by tax collector.

Section 4.24 - Insurance: Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers, servants, and employees, insuring Lessee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than One Million and No/100 Dollars (\$1,000,000.00) combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

Lessee shall furnish to the Port an acceptable certificate evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

Section 4.25 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at the Port of Portland, PO Box 3529, Portland, Oregon 97208, and to the Lessee at Zarcon Corporation, 3644 Main Street, San Diego, CA 97113.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

THE PORT OF PORTLAND

By James D. Kuhl

By Ed Coleman
Executive Director

By _____

By _____

APPROVED AS TO FORM:

APPROVED AS TO LEGAL SUFFICIENCY:

Counsel for Lessee

MB Playfair
Counsel for The Port of Portland

ATTACHMENT 'A'

This disclosure statement refers to the lease dated 11/6/86, between the PORT OF PORTLAND and Zarcon Corporation, for the month-to-month rental of the improved space commonly known as Building 10.


For the authorized purposes of the above lease, the following utilities will be provided at the stated rates:

| <u>Y/N</u> | <u>UTILITY</u> | <u>NOTE</u> |
|------------|--|--|
| Y | Electricity | (\$0.08/kwh) |
| N | Natural Gas | (\$0.46/ccf) |
| N | Steam | (\$265.00/service day) |
| N | Compressed Air | (\$17.50/workday-Light Service) (\$70.00/workday-Heavy Service) |
| N | Oxygen-with Gas | (\$5.00/100 cf of Gas Consumed) |
| Y | Area Heat | |
| N | Area Air Cond. | Not Available |
| N | Water | (\$4.00/ccf of Water consumed) |
| N | Sewer | -or- (\$137.50/month) |
| Y | Flat rate of \$0.10 per square foot per month (\$80.00 per month) | |

TELEPHONE SERVICE, REFUSE COLLECTION, AND JANIITORIAL SERVICES ARE THE RESPONSIBILITY OF THE LESSEE.

The rates are subject to change upon thirty-days notice.

ACKNOWLEDGED:

 11/6/86
Signature Date

THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT

PORTLAND SHIP REPAIR YARD

Amendment No. 1

WHEREAS, by an agreement between THE PORT OF PORTLAND, hereinafter referred to as Port, and PETROTEK, hereinafter referred to as Contractor, dated July 1, 1986, the Port entered into a Ship Repair Yard Use Agreement, hereinafter referred to as Original Agreement, with Contractor and all other prime ship repair contractors engaging in the ship repair business at the Portland Ship Repair Yard, hereinafter referred to as PSRY, permitting the use of the PSRY in common with others, setting Contractor rights and obligations, defining the maintenance, operation, and rehabilitation of PSRY, defining fees and their uses and other general provisions; and

WHEREAS, the majority of interest of the Prime Ship Repair Contractors and the Port have entered into negotiations and have agreed to modify said Agreement;

NOW, THEREFORE, the Original Agreement is amended as follows:

ARTICLE II - TERM

The term of the Original Agreement shall be extended until June 30, 1990.

ARTICLE V - REVENUES AND RESOURCES

1. Change Section 5.03 to read as follows:

Section 5.03 - PSRY Use Fee

- A. For the non-exclusive use, in common with others, of the land areas described in Exhibit 1, Contractor agrees to pay a PSRY Rehabilitation Fee, the rate of which shall be set from time to time as described in Section 5.08 (A).
- B. For the use of the facilities within the boundaries described in Exhibit 1, for a specific business contract, Contractor agrees to pay a PSRY Use Fee, the rate of which shall be set from time to time as described in Section 5.08 (B).

2. Change Section 5.06 as follows:

Section 5.06 - Application of Fees

- A. Grant proceeds and revenues produced under Section 5.03 (A) in each fiscal year of the Port shall be used to fund the PSRY Rehabilitation Account.
- B. Revenues produced under Section 5.03 (B) in each fiscal year of the Port shall be used in accordance with Section 5.05.

3. Change Section 5.07 (B) as follows:

Payments by prime ship repair contractors under Sections 5.03 (A) and 5.03 (B) shall be made as follows:

At the end of each calendar month, Contractors shall furnish to the Port, in a form agreed upon by the parties hereto, an accounting report of all billings as defined in Section 5.08 (C). The Port shall review such accounting reports for completeness and independently calculate the Rehabilitation Fee and the Use Fee in accordance with the then-current rate and render an invoice for any sum due. Payment of the Rehabilitation Fee and the Use Fee is subject to the same terms and conditions as prescribed in the then current PSRY Tariff.

4. Change Section 5.08 as follows:

Section 5.08 - PSRY Rehabilitation Fee and Use Fee:

- A. The PSRY Rehabilitation Fee is established at 1.4 percent of the Contractor's billings as defined in Section 5.08 (C). This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days notice of such adjustment. Quotations or bids on work made by the Contractor prior to receipt of notice shall not be subject to an increased rate.
- B. The PSRY Use Fee is established at 4.3 percent of the Contractor's billings as defined in Section 5.08 (C). This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days notice of such adjustment. Quotations or bids on work made by the Contractor prior to receipt of notice shall not be subject to an increased rate.

- C. Billings are defined as all charges made by the Contractor for ship repair, conversion, or construction work which has been accomplished in whole or in part within the confines of the PSRY as defined in Exhibit 1. This includes charges made by the Contractor for subcontractors, subsidiaries, vendors, and other suppliers of goods and services, but excludes PSRY Tariff charges and bad debts for ship repair, conversation, and construction written off during the month. Bad debts written off hereunder, but later recovered shall be included in "billings" of the month in which recovery occurs. Billings used as a basis for Port charges and fees are subject to modification based on negotiations between the parties prior to application of such charges and fees.

Except as modified by this Amendment No. 1, the Original Agreement is affirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have signed their names this 30th day of March, ~~1985~~ 1986.

PETROTEK

By [Signature]

By _____

THE PORT OF PORTLAND

By [Signature]
Vice PRESIDENT

By [Signature]
ASST. SECRETARY

APPROVED AS TO LEGAL SUFFICIENCY
BY COUNSEL

[Signature]

APPROVED BY COMMISSION

ON 8-13 1986

THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT
PORTLAND SHIP REPAIR YARD

86-84

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THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT
PORTLAND SHIP REPAIR YARD

THIS AGREEMENT, made and entered into this 13 day
of August, 1986, by and between THE PORT OF PORTLAND, a
municipal corporation of the State of Oregon, hereinafter referred
to as Port, and PETROTEK, a corporation organized and existing under
the laws of the State of Oregon, hereinafter referred to as
Contractor,

W I T N E S S E T H:

WHEREAS, the Port is the owner of the Portland Ship Repair
Yard (PSRY), the boundaries of which are shown on Exhibit 1 attached
hereto and by this reference made a part hereof, located in the
County of Multnomah, State of Oregon, and operates the same for the
promotion, accommodation, and development of ship repair,
conversation, and construction; and

WHEREAS, the Port shall enter into a Common Use Agreement
with Contractor and all other prime ship repair contractors engaging
in the ship repair business at the PSRY, permitting the use of the
PSRY in common with others,

NOW, THEREFORE, in consideration of the covenants and
conditions hereinafter contained to be kept and performed by the
respective parties, IT IS AGREED as follows:

ARTICLE I DEFINITIONS

The terms defined in this Section for all purposes of this Use Agreement shall have the following meanings, except where the context or clear implication requires otherwise:

A. "PSRY" means the Portland Ship Repair Yard, shown on Exhibit 1 attached, which is owned and operated by the Port.

B. "Prime Ship Repair Contractor" is a business or company engaged in ship repair, conversion, or construction in Portland, Oregon, using the facilities of the PSRY and charging for such services directly to the ship owner or operator. The plural refers to the group of prime ship repair contractors who are signatory to a Ship Repair Yard Use Agreement.

C. "Majority of Interest" means more than fifty percent (50%) of the voting shares and at least two (2) in number of the prime ship repair contractors signatory to a Ship Repair Yard Use Agreement. Voting shares will be proportional to the use fee contribution of the individual contractors during the preceding four (4) calendar quarters, or since inception until this Use Agreement shall have been in effect for four (4) calendar quarters.

D. "Ordinance No. 255" is the Port of Portland ordinance enacted March 23, 1977, that authorized the \$84 million Shipyard and Drydock Improvement Bonds, 1977 Series, which regulates in part, the sources and uses of funds from the facilities developed under that program.

ARTICLE II TERM

The term of the Use Agreement shall commence on July 1, 1986, and shall terminate on June 30, 1990 ~~1985~~ unless sooner terminated under the provisions of this Use Agreement. At the conclusion of said period, the Port and the Prime Ship Repair Contractors shall undertake discussions to determine if a financial necessity exists to continue such a fee generating agreement. In the event that it is agreed a fee generating agreement is still required, the Port and the Prime Ship Contractors will undertake discussions and negotiations to extend this Use Agreement or enter into a new

agreement for the rehabilitation of the PSRY and the use thereof by Prime Ship Repair Contractors at reasonable and competitive rates, fees, and charges.

ARTICLE III CONTRACTOR RIGHTS AND OBLIGATIONS

Section 3.01 - Common User Rights: Subject to the terms and provisions hereof, Contractor, in common with all other Prime Ship Repair Contractors and other users using the PSRY, may utilize the PSRY and its appurtenances for the purpose of conducting Contractors business of ship repair, conversation and construction.

Section 3.02 - Contractor Maintenance: Contractor shall require its employees and agents to maintain and keep those portions of the PSRY used by it in a neat, clean and orderly condition, free from litter, debris, refuse, petroleum products, or grease that may result from the use of said areas in its ship repair activity.

Section 3.03 - Removal of Debris: Contractor shall promptly remove any debris, materials, supplies, equipment, or other items used by Contractor from any part of the PSRY and may place any such debris, etc., only in such storage areas as may be designated by the Port and may store such debris, etc., only for such length of time and upon such terms and conditions as may be set forth in the then current PSRY Tariff. Should Contractor fail to remove any of its debris, etc., promptly in accordance with this Section, the Port may, but shall not be obligated to, cause the removal of such debris, etc., and Contractor agrees to reimburse the Port for all costs of such removal and Contractor further hereby releases the Port from any and all claims for damage to the material or otherwise arising from or in any way connected with such removal by the Port.

Section 3.04 - Exclusive Building Space: Contractor may provide, at its expense, adequate space and other facilities for its ship repair activities and such other general offices and exclusive use space as it may require in those portions of the PSRY assigned to it by the Port. For this purpose, Contractor herewith agrees to enter into a Lease(s) and Agreement(s) for the space so required by it for such purpose subject to the negotiation of an agreement containing mutually acceptable terms.

Section 3.05 - Signs: Contractor may erect and maintain suitable signs or identification at the PSRY with the prior written consent of the Port. Prior to the erection, construction, or placing of any signs or identification on the PSRY, Contractor shall submit to the Port, for its approval in writing, such drawings, sketches, design, dimensions, type and character of identification, and any conditions, restrictions, or limitations with respect to the use thereof stated by the Port shall become conditions hereof as though set forth herein in full.

Section 3.06 - Ingress, Egress, and Purchase of Supplies: Subject to and in accordance with all applicable laws and ordinances and such reasonable rules and regulations as may be adopted by the Port for the regulation thereof, Contractor shall have the right and privilege over the roads, ways, and public areas of the PSRY of ingress to and egress from any premises it might occupy in the PSRY pursuant to the Leases and Agreements between the Port and the Contractor, and the public facilities used in connection therewith, for its agents, servants, or employees and patrons, invitees, its suppliers of material, fuel and furnishers of services, and its equipment, vehicles, machinery, necessary or required, for the performance of its ship repair business conducted at the PSRY, and no charges, fees, or tolls shall be imposed by the Port upon Contractor or any of said persons for the right of ingress and egress and for the privilege of selling supplies, materials, fuel, equipment and services.

Contractor shall be free, at all times, to select suppliers, surveyors, and furnishers of materials, supplies, equipment and services of its own choosing. Nothing in this Section shall be construed as in any way limiting the general powers of the Port fully to exercise its governmental functions.

ARTICLE IV MAINTENANCE, OPERATION AND REHABILITATION OF PSRY

Section 4.01 - Maintenance and Operation of PSRY: The Port agrees that it will maintain and operate with reasonable diligence the PSRY and all common user and public appurtenances, facilities and services now or hereafter connected therewith as the same relate to Contractor's ship repair business, and will develop, maintain, and operate the PSRY in all respects in a manner consistent with standards established herein.

Section 4.02 - Rehabilitation of PSRY:

A. The Port and the Prime Ship Repair Contractors have agreed upon the rehabilitation program and scheduling thereof for the PSRY for the period from February 1, 1982, through June 30, 1986. This schedule is attached hereto as Exhibit 2 and incorporated herein. Said schedule shows the estimated costs of the rehabilitation and the sequence in which work will be performed. The Port will proceed with all reasonable dispatch to complete the projects as shown upon said schedule provided funds are available. Cost estimates shown on Exhibit 2 are subject to adjustment by the Port in the costs of construction.

B. It is recognized that it may become desirable to accelerate or adjust the time for construction of items appearing upon said schedule or to make substantial changes. When it appears to any party to this Use Agreement that the time for construction of any item upon said schedule should be accelerated, adjusted or substantial changes should be made, all parties thereto shall confer to agree upon any modifications.

C. Notwithstanding the foregoing, additional items may be added by the Port to said schedule if such items are required to comply with valid laws, rules, regulations, or orders of any governmental authority applicable to the PSRY and necessary for the operation of the PSRY. Contractor will be notified of such changes by the Port.

D. Notwithstanding the foregoing, if the Port and the majority of interest reach impasse over the use of funds, the Port reserves the right to use the funds available to it from the Rehabilitation Account established under Section 4.03 for such rehabilitation at the PSRY that the Port deems necessary to protect its assets from deterioration or waste. Contractors will be consulted before any such uses of funds.

Section 4.03 - Financing of Operation, Maintenance and Rehabilitation: Financing of the operation, maintenance and rehabilitation of PSRY, as agreed under Sections 4.01, and 4.02, shall be accomplished through the accrual and expenditure of funds collected under Article V. For the purpose of accruing and disbursing funds for rehabilitation projects described in Section 4.02, the Port shall establish a special PSRY Rehabilitation Account in its General Fund.

ARTICLE V
REVENUES AND RESOURCES

Section 5.01 - Tariff Charges: For the use of drydocks, berths, cranes, utility system and exclusive open space and other specific facilities, equipment or services, Contractor agrees to pay charges as set forth in the then-current PSRY Tariff.

Section 5.02 - Lease Revenue: For exclusive space leased under Section 3.03, Contractor agrees to pay such rents as provided in the applicable negotiated Leases and Agreements.

Section 5.03 - PSRY Use Fee: For the non-exclusive use, in common with others, of the land areas described in Exhibit 1, Contractor agrees to pay a PSRY Use Fee, the rate of which shall be set from time to time as described in Section 5.08(A).

Section 5.04 - Other Resources: Other revenues and resources, such as those generated from the sale of assets or special leases may be used as working capital for the Rehabilitation Account. Such working capital shall revert to the unrestricted balance of the Port's General Fund at the termination of this agreement.

Section 5.05 - Application of Tariff Charges and Lease Revenues: Revenues derived under Sections 5.01 and 5.02 in each fiscal year of the Port shall be used and applied in the following priority:

A. Revenues derived from those facilities affected by Ordinance No. 255; in accordance with the Ordinance.

B. Revenues derived from other PSRY facilities:

1. To pay the costs of operation and maintenance, including direct and indirect Port interdepartmental charges.
2. To fund PSRY capital improvements.
3. To fund the PSRY Rehabilitation Account.
4. For any lawful Port purpose.

Section 5.09 - Contractor Records - Contractor shall, at all times, maintain and keep books, ledgers, accounts, or other records at Portland, Oregon, wherein are accurately kept all entries reflecting the total billings and exclusions (per Section 5.08B) of Contractor relative to business conducted in whole or in part within the confines of the PSRY as defined in Exhibit 1. Such books, ledger, accounts or other records shall be audited at the end of the Contractor's fiscal year by Contractor's certified public accounting firm and a certified report will be sent to the Port attesting to the Contractor's meeting the provisions of this agreement.

Section 5.10 - Review of Operating Expenses: The Port agrees that the PSRY will be managed and operated in a prudent and efficient manner, and to this end agrees that Contractor may, jointly with other Contractors at reasonable times and upon reasonable notice, review the Port's operations, costs, and practices at the PSRY for the purpose of suggesting improvements and economies.

ARTICLE VI INDEMNITY AND INSURANCE

Section 6.01 - Indemnity: The Contractor agrees to indemnify and save and hold harmless the Port of Portland, its commissioners, agents, or employees and the United States of America (Department of the Navy) from and against all claims and actions and expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to person or their property, caused by the fault or negligence of the Contractor, its agents, or employees in the use or occupancy of the ship repair facilities and equipment: provided further that the Port of Portland shall give to the Contractor and the vessel owner prompt and reasonable notice of any such claims or actions and the Contractor and vessel owner shall have the right to investigate, compromise and defend same.

Section 6.02 - Insurance:

A. The Contractor shall, at its expense, maintain in full force and effect during the term of this Use Agreement a Ship Repairer's Legal Liability Policy and a Comprehensive General Liability policy placed with underwriters satisfactory to the Port.

Section 5.06 - Application of Use Fee: Grant proceeds and revenues produced under Sections 5.03 in each fiscal year of the Port shall be used to fund the PSRY Rehabilitation Account.

Section 5.07 - Payment:

A. Payments by Prime Ship Repair Contractors under Sections 5.01, 5.02 and 5.04 shall be made in accordance with the then-current PSRY Tariff or applicable Lease and Agreement.

B. Payments by Prime Ship Repair Contractors under Section 5.03 shall be made as follows:

1. Within thirty (30) calendar days of the end of each calendar quarter, Contractors shall furnish the Port in a form agreed upon by the parties hereto, an accounting report of all billings as defined in Section 5.08(B). Payment of the Use Fee, the calculation of which is based on such billings is due ninety (90) calendar days from the end of the accrual quarter.
2. The Port shall review such accounting reports for completeness and independently calculate the PSRY Use Fee in accordance with the then-current rate and render an invoice for any sum due.

Section 5.08 - PSRY Use Fee:

A. The PSRY Use Fee is established at 1.4 percent of Contractor's billings as defined below. This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days' notice of such adjustment. Quotations or bids on work made by Contractor prior to receipt of notice shall not be subject to an increased rate.

B. Billings are defined as all charges made by Contractor for ship repair, conversion or construction work which has been accomplished in whole or in part within the confines of the PSRY as defined in Exhibit 1. This includes charges made by the Contractor for subcontractors, subsidiaries, vendors, and other suppliers of goods and services, but excludes PSRY Tariff charges and bad debts for ship repair, conversion and construction written off during the calendar quarter. Bad debts written off hereunder but later recovered shall be including in "billings" of the quarter in which recovery occurs.

The Comprehensive General Liability policy shall be endorsed to include automobile, products, completed operations, personal injury, broad form contractual, and sudden accidental pollution liability and shall specifically recognize and insure the indemnity provisions appearing as Section 6.01 of this Use Agreement between the Port and Contractor. The Contractor shall promptly, after execution of this Use Agreement, furnish to the Port appropriate certificates of insurance evidencing coverage effected and to be maintained for the term of this Use Agreement. Coverage shall be not less than Five Million Dollars (\$5,000,000) Combined Single Limit or split limits equal to not less than \$5,000,000 for Bodily Injury and Property Damage with respect to each occurrence (or such greater amount as may be mutually determined by the Port and Contractor). The insurance policies shall not be subject to cancellation or material change except after notice to the Port by registered mail at least thirty (30) days prior to the date of such cancellation or material change. Where any policy(ies) has(have) normal expiration(s) during the term of this Use Agreement, written evidence of renewal shall be furnished to the Port at least thirty (30) days prior to such expiration.

B. The Port shall, during the term of this Use Agreement, procure and maintain Liability and Property insurance for the PSRY in such amounts and for such insured coverages as Port may determine reasonable to protect the Port's shipyard assets in common use. Proof of insurance will be provided to Contractor upon request.

ARTICLE VII DEFAULT AND TERMINATION

Section 7.01 - Default:

A. The Contractor shall fail to pay when due and owing any sum due hereunder and such failure shall continue for sixty (60) days; or

B. The Contractor shall fail to observe or perform any other of the Contractor's covenants, agreements, or obligations here under and such failure shall not be cured by Contractor within sixty (60) days after written notice thereof by the Port; or

C. The Contractor's interest in this Use Agreement or any part thereof be mortgaged, pledged, or otherwise encumbered or transferred either voluntarily or by operation of law, or such

interest or any part thereof be assigned or sublet by Contractor except in accordance with the provisions of Section 8.05 hereof; or

D. The Contractor shall file any petitions or institute any proceeding under the Bankruptcy Act, either as such Act now exists or under any amendment thereof which may hereafter be enacted, or under any act or acts, State or Federal, dealing with or relating to the subject of subjects of bankruptcy or on solvency, or under any amendment of such act or acts, either as a bankrupt, or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Contractor asks or seeks or prays to be adjudicated a bankrupt, or to be discharged from all or any of the Contractor's debts, or asks, seeks, or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the Contractor's debts, or for any similar relief, or if an involuntary petition in bankruptcy is filed against the Contractor and the same is not discharged within sixty (60) days from such filing, or if any other petition or any other proceedings of the foregoing or similar kind of character be filed or be instituted or taken against the Contractor, or if a receiver of the business or of the property or assets of the Contractor shall be appointed by any court except a receiver appointed at the request of the Port, or the Contractor shall make a general or any assignment for the benefit of the Contractor's creditors;

Then in any such events, the Contractor shall be in default hereunder.

If the Contractor shall be in default hereunder as aforesaid, the Port may, at its election, at the time the Contractor shall be in default hereunder, or at any time thereafter while such event of default shall continue, give the Contractor written notice of intention to terminate this Use Agreement on a date specified in said notice, which date shall not be earlier than ten (10) days after such notice is given, and if all defaults have not been cured on the date so specified, the Contractor's rights, privileges, and possessions under the Use Agreement shall cease, and with or without re-entry by the Port, this Use Agreement and the term hereof shall thereupon cease, and the Port may cancel all of the Contractor's rights and privileges as specified in Article III, and the Contractor shall forthwith surrender possession thereof; provided that, the Contractor shall be and shall remain liable for all charges accrued hereunder to the date such termination becomes effective and for all other sums then owing by Contractor hereunder.

Section 7.02 - Termination at Option of Port: The Port may, at its option, terminate and cancel this Use Agreement

immediately upon the abandonment for a period of ninety (90) days by the Contractor of the conduct of its business at the PSRY or in the Port District if not based at the PSRY.

Section 7.03 - Termination at Option of Contractor:
Contractor may, at its option, terminate this Use Agreement immediately upon the occurrence of any of the following:

A. The material restriction of the Port's operation of the PSRY by action of the United States Government or any authorized agency thereof, under its wartime or emergency powers and the continuance thereof for a period of not less than ninety (90) days.

B. The default by the Port in the performance of any covenant or agreement herein required to be performed by the Port and the failure of the Port to remedy such default for a period of sixty (60) days after receipt from the Contractor of written notice to remedy the same; provided, however, no notice of termination, as above provided, shall be of any force or effect if the Port shall have remedied the default prior to receipt of Contractor's notice of termination.

ARTICLE VIII GENERAL PROVISIONS

Section 8.01 - Use Agreement Subordinate to Bond Ordinance:
This Use Agreement and all rights of the Contractor hereunder are expressly subordinated and subject to the lien and provisions of any pledge or assignment made by the Port to secure any Bonds and to the rights of the Trustee appointed under Ordinance No. 255 and the holders of said Bonds issued under Ordinance No. 255 and to the terms and conditions of Ordinance No. 255, and the Port and Contractor agree that the Trustee and, to the extent permitted by Ordinance No. 255, the holders of the said Bonds shall possess, enjoy, and may exercise all rights of the Port hereunder to the extent such possession, enjoyment, and exercise are necessary to ensure compliance by the Contractor and the Port with the terms and provisions of this Use Agreement.

Section 8.02 - Conflicting Regulations: If there are conflicts in rules, regulations, or tariffs of the Port of Portland and this Agreement, then this Use Agreement shall govern.

Section 8.03 - Rules and Regulations: The Port shall have the right to adopt and enforce reasonable tariff rules and regulations not in conflict with the terms of this Use Agreement with respect to the use of the PSRY, which Contractor agrees to observe and obey.

Section 8.04 - Assignment: Neither the Contractor nor any assignee or other successor of the Contractor shall in any manner, directly or indirectly, by operation of law or otherwise, assign, transfer, or encumber any of Contractor's rights in and to this Use Agreement or any interest therein, nor license or permit the use of the rights herein granted in whole or in part without the prior written consent of the Port. The Contractor shall have the right to assign all or any part of its rights and interests under this Use Agreement to any successor to its business through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, and the consent of the Port thereto shall not be required, but due notice of any such assignment shall be given to the Port within sixty (60) days after such assignment is executed.

Section 8.05 - Nonwaiver: Any waiver of any breach of covenants herein contained to be kept and performed by either party hereto shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent the other party hereto from declaring a forfeiture, termination, or cancellation for any succeeding breach either of the same condition or covenant or otherwise. Acceptance of payment of rental shall not be deemed a waiver.

Section 8.06 - Continuity of Work: The Contractor may not engage in activities or abandon work in progress which would have the effect of denying use in common with others of the PSRY.

Section 8.07 - Disputes: Any dispute arising out of the application of terms of this Use Agreement, except issues requiring the approval of the Majority of Interest, not settled through negotiations, shall be forwarded to a third party arbitrator of mutual selection that will make the final and binding ruling as to the settlement of the dispute.

Section 8.08 - Advances by Port: If the Contractor shall fail to do anything that affects the common use of the facility under the terms of this Use Agreement, the Port may, at its sole option, after giving written notice to the Contractor, do such act or thing on behalf of the Contractor, and upon notification to the

Contractor of the cost thereof by the Port, the Contractor shall promptly pay the Port the amount of that cost.

Section 8.09 - Attorneys' Fees: In the event any action, or suit or proceeding is brought to collect the fees and charges due, or to become due hereunder, or any portion thereof, or to take possession of any premises or enforce compliance with this Use Agreement, or for failure to observe any of the covenants of this Use Agreement, the prevailing party in such suit or action shall be entitled to such sum as the court may adjudge reasonable as attorneys' fees to be allowed in such suit, action, or proceeding, or in the event of an appeal, as allowed by the appellate court.

Section 8.10 - Statutory Provisions: This Use Agreement is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which, by this reference, are incorporated herein as fully as though set forth verbatim.

Section 8.11 - Headings: The Article and Section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Use Agreement.

Section 8.12 - Approval or Direction by Port: Wherever consent, approval, or direction by the Port is required in this Use Agreement, such consent, approval, or direction by the Port shall be effective only if given by the Executive Director of the Port or his designee in the manner as set forth in this Use Agreement. Nothing requiring consent, approval, or direction from the Port shall be unreasonably requested by the Contractor nor shall such consent, approval, or direction be unreasonably withheld by the Port.

Section 8.13 - Favored Nations: The Port agrees that it will not set more favorable terms and conditions for any other Contractor for comparable rights at the PSRY than those being set for the Contractor hereunder (except for the effective date hereof).

Section 8.14 - Notices: All notices required under this Use Agreement shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at the Port of Portland, Post Office Box 3529, Portland, Oregon 97208, attention Executive Director, and to the Contractor at 11910 NW St. Helens Road, Portland, OR 97231.

Date of service of such notice shall be the date such notice is deposited in a Post Office of the United States Postal Service, postage prepaid.

IN WITNESS WHEREOF, the parties hereto have subscribed their names this 13th day of August, ~~1985~~ 1986.

PETROTEK

THE PORT OF PORTLAND

By

Richard E. Arrasmith
Richard E. Arrasmith

By

Vice President
Vice President

By

By

Assistant Secretary
Assistant Secretary

APPROVED AS TO FORM

M B Playfair
Counsel for The Port of Portland

APPROVED BY COMMISSION

ON 8-13 19 86

THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT

PORTLAND SHIP REPAIR YARD

Amendment No. 2

WHEREAS, by an agreement between THE PORT OF PORTLAND, hereinafter referred to as Port, and Pacific Marine, hereinafter referred to as Contractor, dated ~~March 19~~ MAY 11, 198~~2~~, the Port entered into a Ship Repair Yard Use Agreement, hereinafter referred to as Original Agreement, with Contractor and all other Prime Ship Repair Contractors engaging in the ship repair business at the Portland Ship Repair Yard, hereinafter referred to as PSRY, permitting the use of the PSRY in common with others, setting Contractor rights and obligations, defining the maintenance, operation, and rehabilitation of PSRY, defining fees and their uses and other general provision; and

WHEREAS, the majority of interest of the Prime Ship Repair Contractors and the Port have entered into negotiations and have agreed to modify said Agreement;

NOW, THEREFORE, the Original Agreement, as previously amended by Amendment No. 1, is amended further to read as follows:

Change Section 5.08C as follows:

Billings are defined as all charges made by Contractor for ship repair, conversion, or construction work which has been accomplished in whole or in part within the confines of the PSRY as defined in Exhibit 1. This includes, but is not limited to, charges made by the Contractor for subcontractors, subsidiaries, vendors, and other suppliers of goods and services, but excludes amounts charged by Contractor for recovery of PSRY Rehabilitation Fees and Use Fees; PSRY Tariff charges; and bad debts for ship repair, conversion, and construction written off during the month. Bad debts written off hereunder, but later recovered shall be included in "billings" of the month in which recovery occurs. Billings used as a basis for Port charges and fees are subject to modification based on negotiations between the parties prior to application of such charges and fees.

Except as modified by this Amendment No. 2, the Original Agreement and Amendment No. 1 are affirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have signed their names this 15th day of March, 1987.

CONTRACTOR

By



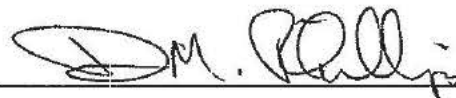
By

THE PORT OF PORTLAND



EXECUTIVE DIRECTOR

APPROVED AS TO LEGAL SUFFICIENCY
BY COUNSEL



THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT
PORTLAND SHIP REPAIR YARD

Amendment No. 1

WHEREAS, by an agreement between THE PORT OF PORTLAND, hereinafter referred to as Port, and PACIFIC MARINE SHIP REPAIR, hereinafter referred to as Contractor, dated February 1, 1985, the Port entered into a Ship Repair Yard Use Agreement, hereinafter referred to as Original Agreement, with Contractor and all other prime ship repair contractors engaging in the ship repair business at the Portland Ship Repair Yard, hereinafter referred to as PSRY, permitting the use of the PSRY in common with others, setting Contractor rights and obligations, defining the maintenance, operation, and rehabilitation of PSRY, defining fees and their uses and other general provisions; and

WHEREAS, the majority of interest of the Prime Ship Repair Contractors and the Port have entered into negotiations and have agreed to modify said Agreement;

NOW, THEREFORE, the Original Agreement is amended as follows:

ARTICLE II - TERM

The term of the Original Agreement shall be extended until June 30, 1990.

ARTICLE V - REVENUES AND RESOURCES

1. Change Section 5.03 to read as follows:

Section 5.03 - PSRY Use Fee

- A. For the non-exclusive use, in common with others, of the land areas described in Exhibit 1, Contractor agrees to pay a PSRY REhabilitation Fee, the rate of which shall be set from time to time as described in Section 5.08 (A).
- B. For the use of the facilities within the boundaries described in Exhibit 1, for a specific business contract, Contractor agrees to pay a PSRY Use Fee, the rate of which shall be set from time to time as described in Section 5.08 (B).

2. Change Section 5.06 as follows:

Section 5.06 - Application of Fees

- A. Grant proceeds and revenues produced under Section 5.03 (A) in each fiscal year of the Port shall be used to fund the PSRY Rehabilitation Account.
- B. Revenues produced under Section 5.03 (B) in each fiscal year of the Port shall be used in accordance with Section 5.05.

3. Change Section 5.07 (B) as follows:

Payments by prime ship repair contractors under Sections 5.03 (A) and 5.03 (B) shall be made as follows:

At the end of each calendar month, Contractors shall furnish to the Port, in a form agreed upon by the parties hereto, an accounting report of all billings as defined in Section 5.08 (C). The Port shall review such accounting reports for completeness and independently calculate the Rehabilitation Fee and the Use Fee in accordance with the then-current rate and render an invoice for any sum due. Payment of the Rehabilitation Fee and the Use Fee is subject to the same terms and conditions as prescribed in the then current PSRY Tariff.

4. Change Section 5.08 as follows:

Section 5.08 - PSRY Rehabilitation Fee and Use Fee:

- A. The PSRY Rehabilitation Fee is established at 1.4 percent of the Contractor's billings as defined in Section 5.08 (C). This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days notice of such adjustment. Quotations or bids on work made by the Contractor prior to receipt of notice shall not be subject to an increased rate.
- B. The PSRY Use Fee is established at 4.3 percent of the Contractor's billings as defined in Section 5.08 (C). This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days notice of such adjustment. Quotations or bids on work made by the Contractor prior to receipt of notice shall not be subject to an increased rate.

- C. Billings are defined as all charges made by the Contractor for ship repair, conversion, or construction work which has been accomplished in whole or in part within the confines of the PSRY as defined in Exhibit 1. this includes charges made by the Contractor for subcontractors, subsidiaries, vendors, and other suppliers of goods and services, but excludes PSRY Tariff charges and bad debts for ship repair, conversion, and construction written off during the month. Bad debts written off hereunder, but later recovered shall be included in "billings" of the month in which recovery occurs. Billings used as a basis for Port charges and fees are subject to modification based on negotiations between the parties prior to application of such charges and fees.

Except as modified by this Amendment No. 1, the Original Agreement is affirmed and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have signed their names this 1st day of February, 1985.

PACIFIC MARINE SHIP REPAIR

By Sharon A. Robertson

By David A. Mayfield

THE PORT OF PORTLAND

By Ed Olsen
EXECUTIVE DIRECTOR

By _____

APPROVED AS TO LEGAL SUFFICIENCY
BY COUNSEL

M B Playfair

THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT
PORTLAND SHIP REPAIR YARD

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THE PORT OF PORTLAND
SHIP REPAIR YARD USE AGREEMENT
PORTLAND SHIP REPAIR YARD

THIS AGREEMENT, made and entered into this 11TH day of MAY, 1982, by and between THE PORT OF PORTLAND, a municipal corporation of the state of Oregon, hereinafter referred to as Port, and PACIFIC MARINE SHIP REPAIR, INC., a corporation organized and existing under the laws of the State of WASHINGTON, hereinafter referred to as Contractor,

W I T N E S S E T H:

WHEREAS, the Port is the owner of the Portland Ship Repair Yard (PSRY), the boundaries of which are shown on Exhibit 1 attached hereto and by this reference made a part hereof, located in the County of Multnomah, state of Oregon, and operates the same for the promotion, accommodation, and development of ship repair, conversion, and construction; and

WHEREAS, the Port shall enter into a Common Use Agreement with Contractor and all other prime ship repair contractors engaging in the ship repair business at the PSRY, permitting the use of the PSRY in common with others,

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained to be kept and performed by the respective parties, IT IS AGREED as follows:

ARTICLE I - DEFINITIONS

The terms defined in this Section for all purposes of this Use Agreement shall have the following meanings, except where the context or clear implication requires otherwise:

A. "PSRY" means the Portland Ship Repair Yard, shown on Exhibit 1 attached, which is owned and operated by the Port.

B. "Prime Ship Repair Contractor" is a business or company engaged in ship repair, conversion, or construction in Portland, Oregon, using the facilities of the PSRY and charging for such services directly to the ship owner or operator. The plural refers to the group of prime ship repair contractors who are signatory to a Ship Repair Yard Use Agreement.

C. "Majority of Interest" means more than fifty percent (50%) of the voting shares and at least two (2) in number of the prime ship repair contractors signatory to a Ship Repair Yard Use Agreement. Voting shares will be proportional to the use fee contribution of the individual contractors during the preceding four (4) calendar quarters, or since inception until this Use Agreement shall have been in effect for four (4) calendar quarters.

D. "Ordinance No. 255" is the Port of Portland ordinance enacted March 23, 1977, that authorized the \$84 million Shipyard and Dry Dock Improvement Bonds, 1977 Series, which regulates in part, the sources and uses of funds from the facilities developed under that program.

ARTICLE II - TERM

The term of this Use Agreement shall commence on MAY 11, 1982, and shall terminate on JUNE 30, 1986, unless sooner terminated under the provisions of this Use Agreement. At the conclusion of said period, the Port and the prime ship repair contractors shall undertake discussions to determine if a financial necessity exists to continue such a fee generating agreement. In the event that it is agreed a fee generating agreement is still required, the Port and the prime ship repair contractors will undertake discussions and negotiations to extend this Use Agreement or enter into a new agreement for the rehabilitation of the PSRY and the use thereof by prime ship repair contractors at reasonable and competitive rates, fees, and charges.

ARTICLE III - CONTRACTOR RIGHTS AND OBLIGATIONS

Section 3.01 - Common User Rights: Subject to the terms and provisions hereof, Contractor, in common with all other prime ship repair contractors and other users using the PSRY, may utilize the PSRY and its appurtenances for the purpose of conducting Contractor's business of ship repair, conversion, and construction.

Section 3.02 - Contractor Maintenance: Contractor shall require its employees and agents to maintain and keep those portions of the PSRY used by it in a neat, clean, and orderly condition, free from litter, debris, refuse, petroleum products, or grease that may result from the use of said areas in its ship repair activity.

Section 3.03 - Removal of Debris: Contractor shall promptly remove any debris, materials, supplies, equipment, or other items used by Contractor from any part of the PSRY and may place any such debris, etc., only in such storage areas as may be designated by the Port and may store such debris, etc., only for such length of time and upon such terms and conditions as may be set forth in the then current PSRY Tariff. Should Contractor fail to remove any of its debris, etc., promptly in accordance with this Section, the Port may, but shall not be obligated to, cause the removal of such debris, etc., and Contractor agrees to reimburse the Port for all costs of such removal and Contractor further hereby releases the Port from any and all claims for damage to the material or otherwise arising from or in any way connected with such removal by the Port.

Section 3.04 - Exclusive Building Space: Contractor may provide, at its expense, adequate space and other facilities for its ship repair activities and such other general offices and exclusive use space as it may require in those portions of the PSRY assigned to it by the Port. For this purpose, Contractor herewith agrees to enter into a Lease(s) and Agreement(s) for the space so required by it for such purpose subject to the negotiation of an agreement containing mutually acceptable terms.

Section 3.05 - Signs: Contractor may erect and maintain suitable signs or identification at the PSRY with the prior written consent of the Port. Prior to the erection, construction, or placing of any

signs or identification on the PSRY, Contractor shall submit to the Port, for its approval in writing, such drawings, sketches, design, dimensions, type and character of identification, and any conditions, restrictions, or limitations with respect to the use thereof stated by the Port shall become conditions hereof as though set forth herein in full.

Section 3.06 - Ingress, Egress, and Purchase of Supplies:

Subject to and in accordance with all applicable laws and ordinances and such reasonable rules and regulations as may be adopted by the Port for the regulation thereof, Contractor shall have the right and privilege over the roads, ways, and public areas of the PSRY of ingress to and egress from any premises it might occupy in the PSRY pursuant to the Leases and Agreements between the Port and the Contractor, and the public facilities used in connection therewith, for its agents, servants, or employees and patrons, invitees, its suppliers of material, fuel and furnishers of services, and its equipment, vehicles, machinery, necessary or required, for the performance of its ship repair business conducted at the PSRY, and no charges, fees, or tolls shall be imposed by the Port upon Contractor or any of said persons for the right of ingress and egress and for the privilege of selling supplies, materials, fuel, equipment, and services.

Contractor shall be free, at all times, to select suppliers, surveyors, and furnishers of materials, supplies, equipment, and services of its own choosing. Nothing in this Section shall be construed as in

any way limiting the general powers of the Port fully to exercise its governmental functions.

ARTICLE IV - MAINTENANCE, OPERATION AND REHABILITATION OF PSRY

Section 4.01 - Maintenance and Operation of PSRY: The Port agrees that it will maintain and operate with reasonable diligence the PSRY and all common user and public appurtenances, facilities, and services now or hereafter connected therewith as the same relate to Contractor's ship repair business, and will develop, maintain, and operate the PSRY in all respects in a manner consistent with standards established herein.

Section 4.02 - Rehabilitation of PSRY:

A. The Port and the prime ship repair contractors have agreed upon the rehabilitation program and scheduling thereof for the PSRY for the period from February 1, 1982, through June 30, 1986. This schedule is attached hereto as Exhibit 2 and incorporated herein. Said schedule shows the estimated costs of the rehabilitation and the sequence in which work will be performed. The Port will proceed with all reasonable dispatch to complete the projects as shown upon said schedule provided funds are available. Cost estimates shown on Exhibit 2 are subject to adjustment by the Port in the costs of construction.

B. It is recognized that it may become desirable to accelerate or adjust the time for construction of items appearing upon said

schedule or to make substantial changes. When it appears to any party to this Use Agreement that the time for construction of any item upon said schedule should be accelerated, adjusted or substantial changes should be made, all parties thereto shall confer to agree upon any modifications.

No acceleration or adjustment of the construction of any item upon said schedule shall be made nor shall substantial changes be made in the schedule unless the Port and a Majority of Interest of the Contractors agree.

C. Notwithstanding the foregoing, additional items may be added by the Port to said schedule if such items are required to comply with valid laws, rules, regulations, or orders of any governmental authority applicable to the PSRY and necessary for the operation of the PSRY. Contractor will be notified of such changes by the Port.

D. Notwithstanding the foregoing, if the Port and the majority of interest reach impasse over the use of funds, the Port reserves the right to use the funds available to it from the Rehabilitation Account established under Section 4.03 for such rehabilitation at the PSRY that the Port deems necessary to protect its assets from deterioration or waste. Contractors will be consulted before any such uses of funds.

Section 4.03 - Financing of Operation, Maintenance, and Rehabilitation: Financing of the operation, maintenance, and rehabilitation

of PSRY, as agreed under Sections 4.01 and 4.02, shall be accomplished through the accrual and expenditure of funds collected under Article V. For the purpose of accruing and disbursing funds for rehabilitation projects described in Section 4.02, the Port shall establish a special PSRY Rehabilitation Account in its General Fund.

ARTICLE V - REVENUES AND RESOURCES

Section 5.01 - Tariff Charges: For the use of dry docks, berths, cranes, utility system, and exclusive open space and other specific facilities, equipment, or services, Contractor agrees to pay charges as set forth in the then-current PSRY Tariff.

Section 5.02 - Lease Revenues: For exclusive space leased under Section 3.03, Contractor agrees to pay such rents as provided in the applicable negotiated Leases and Agreements.

Section 5.03 - PSRY Use Fee: For the non-exclusive use, in common with others, of the land areas described in Exhibit 1, Contractor agrees to pay a PSRY Use Fee, the rate of which shall be set from time to time as described in Section 5.08(A).

Section 5.04 - Other Resources: Other revenues and resources, such as those generated from the sale of assets or special leases may be used as working capital for the Rehabilitation Account. Such working capital shall revert to the unrestricted balance of the Port's General Fund at the termination of this agreement.

Section 5.05 - Application of Tariff Charges and Lease Revenues:

Revenues derived under Sections 5.01 and 5.02 in each fiscal year of the Port shall be used and applied in the following priority:

A. Revenues derived from those facilities affected by Ordinance No. 255; in accordance with that Ordinance.

B. Revenues derived from other PSRY facilities:

1. To pay the costs of operation and maintenance, including direct and indirect Port interdepartmental charges.
2. To fund PSRY capital improvements.
3. To fund the PSRY Rehabilitation Account.
4. For any lawful Port purpose.

Section 5.06 - Application of Use Fee: Grant proceeds and revenues produced under Sections 5.03 in each fiscal year of the Port shall be used to fund the PSRY Rehabilitation Account.

Section 5.07 - Payment:

A. Payments by prime ship repair contractors under Sections 5.01, 5.02, and 5.04 shall be made in accordance with the then-current PSRY Tariff or applicable Lease and Agreement.

B. Payments by prime ship repair contractors under Section 5.03 shall be made as follows:

1. Within thirty (30) calendar days of the end of each calendar quarter, Contractors shall furnish the Port, in a form agreed upon by the parties hereto, an accounting report of all billings as defined in Section 5.08(B). Payment of the Use Fee, the calculation of which is based on such billings is due ninety (90) calendar days from the end of the accrual quarter.
2. Port shall review such accounting report for completeness and independently calculate the PSRY Use Fee in accordance with the then-current rate and render an invoice for any sum due.

Section 5.08 - PSRY Use Fee:

A. The PSRY Use Fee is established at 1.4 percent of Contractor's billings as defined below. This rate is subject to adjustment upon agreement of the Majority of Interest of the Contractors and the Port following thirty (30) days' notice of such adjustment. Quotations or bids on work made by Contractor prior to receipt of notice shall not be subject to an increased rate.

B. Billings are defined as all charges made by Contractor for ship repair, conversion, or construction work which has been accom-

plished in whole or in part within the confines of the PSRY as defined in Exhibit 1. This includes charges made by the Contractor for sub-contractors, subsidiaries, vendors, and other suppliers of goods and services but excludes PSRY Tariff charges and bad debts for ship repair, conversion, and construction written off during the calendar quarter. Bad debts written off hereunder but later recovered shall be included in "billings" of the quarter in which recovery occurs.

Section 5.09 - Contractor Records: Contractor shall, at all times, maintain and keep books, ledgers, accounts, or other records at Portland, Oregon, wherein are accurately kept all entries reflecting the total billings and exclusions (per Section 5.08B) of Contractor relative to business conducted in whole or in part within the confines of the PSRY as defined in Exhibit 1. Such books, ledger, accounts or other records shall be audited at the end of the Contractor's fiscal year by Contractor's certified public accounting firm and a certified report will be sent to the Port attesting to the Contractor's meeting the provisions of this agreement.

Section 5.10 - Review of Operating Expenses: The Port agrees that the PSRY will be managed and operated in a prudent and efficient manner, and to this end agrees that Contractor may, jointly with other Contractors at reasonable times and upon reasonable notice, review the Port's operations, costs, and practices at the PSRY for the purpose of suggesting improvements and economies.

ARTICLE VI - INDEMNITY AND INSURANCE

Section 6.01 - Indemnity: The Contractor agrees to indemnify and save and hold harmless The Port of Portland, its commissioners, agents, or employees and the United States of America (Department of the Navy) from and against all claims and actions and expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to person or their property, caused by the fault or negligence of the Contractor, its agents, or employees in the use or occupancy of the ship repair facilities and equipment: provided further that The Port of Portland shall give to the Contractor and the vessel owner prompt and reasonable notice of any such claims or actions and the Contractor and vessel owner shall have the right to investigate, compromise, and defend same.

Section 6.02 - Insurance:

A. Contractor shall, at its expense, maintain in full force and effect during the term of this Use Agreement a Ship Repairer's Legal Liability Policy and a Comprehensive General Liability policy placed with underwriters satisfactory to the Port. The Comprehensive General Liability policy shall be endorsed to include automobile, products/completed operations, personal injury, broad form contractual, and sudden accidental pollution liability and shall specifically recognize and insure the indemnity provisions appearing as Section 6.01 of this Use Agreement between the Port and Contractor. Contractor shall promptly, after execution of this Use Agreement, furnish to the Port appropriate certificates of Insurance evidencing coverage effected and

to be maintained for the term of this Use Agreement. Coverage shall be not less than Five Million Dollars (\$5,000,000) Combined Single Limit or split limits equal to not less than \$5,000,000 for Bodily Injury and Property Damage with respect to each occurrence (or such greater amount as may be mutually determined by Port and Contractor). The insurance policies shall not be subject to cancellation or material change except after notice to the Port by registered mail at least thirty (30) days prior to the date of such cancellation or material change. Where any policy(ies) has(have) normal expiration(s) during the term of this Use Agreement, written evidence of renewal shall be furnished to the Port at least thirty (30) days prior to such expiration.

B. The Port shall, during the term of this Use Agreement, procure and maintain Liability and Property insurance for the PSRY in such amounts and for such insured coverages as Port may determine reasonable to protect the Port's shipyard assets in common use. Proof of insurance will be provided to Contractor upon request.

ARTICLE VII - DEFAULT AND TERMINATION

Section 7.01 - Default: If, during the term hereof,

A. The Contractor shall fail to pay when due and owing any sum due hereunder and such failure shall continue for sixty (60) days; or

B. The Contractor shall fail to observe or perform any other of the Contractor's covenants, agreements, or obligations hereunder and